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NEWS SUMMARY

GENERAL

Wade knocks out Evert

Virginia Wade reached the final at Wimbledon for the first time yesterday when she defeated the reigning champion, Chris Evert, 6—2, 4—6, 6—1. Hopes that there might be an all-British final were dashed when Sue Barker went down to Betty Stove of Holland.

Miss Wade's victory took one hour 54 minutes and, after some early trouble with her first serve, her game was remarkably free from errors. Miss Barker, beaten 6—4, 2—6, 6—4 by the No. 7 seed, predicted that Miss Wade would win Friday's final. Tennis, Page 3

Skyjack check

Heathrow Airport launched a security check after a Gulf Air flight from London to Muscat was hijacked in the Middle East. The sole hijacker, a 26-year-old Japanese, was arrested when the aircraft landed at Doha, Qatar. The 84 passengers and crew were unharmed.

Somali demand

A Somalian prosecutor demanded six-year jail sentences for Jane Wright, 20, from Britain and four others, detained on espionage charges since last December when their yacht ran aground. Kenya claimed that 400 Somali troops had attacked a police post on its side of the border.

Empty pie gift

The City of Gloucester has delivered a 12 lb pie filled with lampreys — eel-like fish — to Buckingham Palace as its official Jubilee gift. Portsmouth dockers are pubs to raise their glasses to the Queen and Prince Philip went on a seven-mile drive.

Allah's bounty

Omega Fabrics, a ten-employee Halifax company, has won the incredible Export Award, sponsored by Vladivar Vodka. Omega has sold 74,000 prayer mats to Mecca. Mr. John Newhill, general manager, learnt that traditional sources in Beirut had been stopped by the civil war.

Pope Paul defied

Mgr. Marcel Lefebvre, the rebel French prelate, in a ceremony that could lead to his excommunication by Pope Paul, ordained 14 priests and 22 subdeacons at the traditionalist seminary of Econe, Switzerland. Page 4

Press 'less free'

Press freedom is being steadily eroded as the U.K. moves towards being a corporate State, says Lord Shawcross, chairman of the Press Council. Page 11

Drought is past

There is no danger of any water shortage this year even if the U.K. has fine weather for the rest of the summer, Mr. Kenneth Marks, Environment Under-Secretary, stated.

Briefly . . .

Saudi Arabian Government has vigorously denied that King Khaled intends to abdicate. Letters, Page 27

Backbenchers' salaries go up to £6,270 after a Phase Two pay rise awarded by the Government. Page 16

Charles Aznavour, the French singer, was ordered to pay £50,000 by a Versailles court and given a suspended prison sentence for violating exchange controls.

Israel's Education Ministry has withdrawn next week's school-leaving examinations, copies of which appeared in newspapers after being leaked for £700 to students.

Gas Board officials were called in when three people were taken to hospital after an explosion ripped through two semi-detached houses in St. Albans, Herts.

Chinese weed-eating fish are being introduced to Britain's clogged waterways and lakes as an alternative to the use of weedkillers.

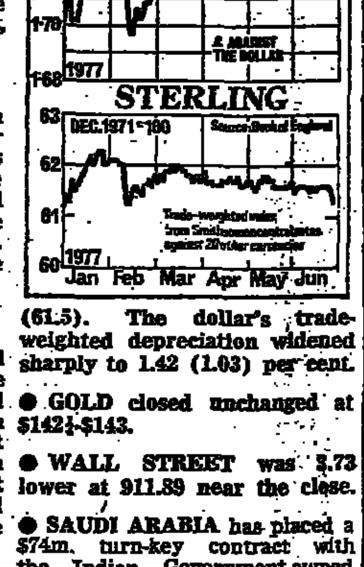
BUSINESS

Equities cautious; losses in gilts

● EQUITIES remained cautious with no selling pressure. The FT 30-Share Index closed 2.4 lower at 456.2.

● GILTS moved narrowly and, in spite of sterling's firm showing, ended with losses to ⅞.

● STERLING advanced 7 points to close at $1.7210. Its trade-weighted index fell to 61.3



(61.5). The dollar's trade-weighted depreciation widened sharply to 1.42 (1.03) per cent.

● GOLD closed unchanged at $142½-$143.

● WALL STREET was 3.73 lower at 911.89 near the close.

● SAUDI ARABIA has placed a $74m. turn-key contract with the Indian Government-owned Bharat Heavy Electricals. The contract involves the construction of a 35,000 kV power station, establishing a transmission network and the construction of four sub-stations. Page 6

● PAN AMERICAN World Airways has joined the Independent Air Carriers Association. Pan Am, a big charter operator, feels it needs to make its views on charter activities more widely known in the industry. Page 6

Youth plan to cost £160m.

● GOVERNMENT has approved a Youth Opportunities Programme based on the Manpower Services Commission's Holland report which will assist up to 230,000 young people a year at a gross cost of £160m. Back page

● GOVERNMENT has produced figures that suggest the argument about pay differentials is being overstated by unions and employers. The compression of differentials, it feels, has more to do with inflation than with the incomes policy. Back Page

● NORTH sea oil producers are concerned that Mr. Anthony Wedgwood Benn, Energy Secretary, might demand restrictions on production. It was announced earlier this week that North Sea oil fields were supplying half of Britain's oil needs. Page 12

● GOVERNMENT has nationalised Scott Lithgow Drydocks and announced revised financial support for Govan Shipbuilders in two moves which are seen as tidying up operations before the industry is formally nationalised and vested in British Shipbuilders to-morrow. Page 12

● BRITISH Insurance Association figures show that the estimated cost of fire damage in Great Britain last month increased by £7.7m. to £23.3m. Page 11

COMPANIES

● J. LYONS improved its position in the second half of a 53-week period to April 1, and ended with a pre-tax profit of £10.38m. (£7.45m.). Page 30; Lex

● MORGAN-Grampian's pre-tax profit for the year to March 31, was a record £2.12m. (£1m.). Page 31.

● J. C. BAMFORD, the construction equipment group, has started a £8.7m. investment programme at its Staffordshire headquarters. Page 12

● RENAULT, the French state-owned motor-car company, has made a net profit of Frs.610.7m. for 1976, compared with a loss of Frs.551m. the previous year. Page 34.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Allen E. (Balfour)	67	+ 5
BPB	174	+ 6
Concrete	117	+ 5
Coralt	58	+ 5
Dixons Invs.	107	+ 7
Furness Withy	297	+ 8
Gerrard & Nat.	158	+ 6
Hawker Siddeley	570	+ 10
Ross (J.)	95	+ 6
Morgan Grampian	110	+ 6
Pinchware	110	+ 5
Standard & Chartered	330	+ 5
Sutcliffe Speakman	46	+ 4
Swan Hunter	110	+ 6
T H Forte	153	+ 7
LASMO	328	+ 8
Pancontinental	£11	+ ½
Southern Malayan	193	+ 5

FALLS

Clarke Chapman	90	− 5
Courts Furn. A	77	− 3
Gallenkamp (A.)	316	− 7
Lucas Inds.	288	− 7
Reed Intl.	607	− 8
Thomson Org.	545	− 5
UBM	370	− 10
BP (Partly-paid)	570	− 12
Shell Transport	258	− 17
Blyvoor	365	− 17
East Driefontein	495	− 18

Post strike threat grows as sorters back Grunwick ban

BY PAULINE CLARK, LABOUR STAFF

The threat of strike action by London postal workers intensified yesterday after sorters defied a Post Office order to stop blacking mail to the Grunwick film-processing company.

It was announced that an emergency debate on the Grunwick dispute would take place in the Commons to-day.

This was in spite of earlier protests that any discussion by Parliament of the dispute would be sub judice before Monday's High Court hearing about the ruling on union recognition at Grunwick by the Advisory Conciliation and Arbitration Service earlier this year.

Added to Grunwick's difficulties was a statement by Mr. Stanley Clinton Davis, Under-Secretary for Trade, that the company could face criminal prosecution for defaulting on returns required under the Companies Act.

In the background, much to-ing and fro-ing took place between the Department of Employment and the headquarters of the Association of Professional, Executive, Clerical and Computer Staff (APEX). Mr. Albert Booth, Employment Secretary, and Mr. Roy Grantham, general secretary of the union, conferred twice about the previous day's failure to persuade Mr. George Ward, managing director of Grunwick, to agree to a mediator to conduct an inquiry into the dispute.

Mr. Ward refused to comment on the developments last night after further violence on the picket lines outside his factory gates. The numbers of demonstrators were the largest this week.

The request for an emergency debate by both Tory and Labour MPs follows the decision on Tuesday by London District Council of the Union of Post Office Workers to ban all movement of mail to and from Grunwick.

The Council had also warned that any disciplinary action against union members involved in blacking of mail to Grunwick would invite strike action, a decision taken in spite of a statement by Mr. Tom Jackson, general secretary of the UPW, that there was no question of industrial action against Grunwick being made official.

Legal threat

This was because of infringement of the 1953 Post Office Act, *which makes it an offence* "wilfully to detain or delay" the mails.

Post Office workers in the local sorting office near Grunwick at Cricklewood are believed to have been given 24 hours to respond to Post Office notices instructing them to handle Grunwick mail "in accordance with their normal duties," and warning them that if they disobey they will be suspended without pay.

Mr. John Gouriet, administrative director of the National Association for Freedom, who has been backing Grunwick in its ten-month battle against union recognition for APEX, said last night that if mail was not flowing normally to the factory after the 24-hour deadline, he would take legal action.

He had already written to Sir William Ryland, chairman of the Post Office, to ask if he would consider prosecution of those interfering with Grunwick mail.

In addition to the National Association for Freedom's further threat that it will consider legal action against the Post Office if it does not respond, Mr. Sam Silkin, the Attorney-General, has written to Sir William asking him to intervene.

While Mr. Gouriet was demanding "more effective" action, Sir William's ultimatum was denounced by Mr. Tom Jackson as "very foolish," because of the risk of stepped-up action by other Post Office workers.

There were also warnings that the repercussions of the dispute might spread elsewhere among trade unionists.

Mr. Chris Wright, a member of the Grunwick strike commit-

Continued on Back Page

Parliament, Page 16

EEC policy shift backs a Palestinian homeland

BY GUY DE JONQUIERES

HEADS OF Government of the European Community yesterday put their weight firmly behind the demand for a Palestinian homeland, and indirectly warned the new Israeli Government to refrain from any statements or policies likely to make the resumption of peace negotiations more difficult.

A statement also said that the Community was ready to take part in guaranteeing a peace settlement through the UN.

This important shift in policy was approved by EEC leaders at their European Council meeting in London. It brings their position on the Middle East appreciably closer to that of the Carter administration and is certain to lead to increased pressure on the Israeli Government led by Mr. Menachem Begin to face up to the Palestinian issue.

Although the details of the statement were completed only on Monday, there has been close consultation with the Americans on the subject for the past few weeks. The British, French and U.S. Foreign Ministers have met several times in Paris to discuss the drafting while there for other conferences.

The announcement of the EEC position follows hard upon the U.S. State Department's reiteration earlier this week of the Administration's view that Israel would have to withdraw from the occupied West Bank as part of a settlement with the Arabs.

The statement issued in Washington on Monday "outraged" the hard-line Israeli Government which is fundamentally against any pull-back on the West Bank although—in contradiction — it maintains that "everything is negotiable."

Legitimate

The statement said: "The Nine have affirmed their belief that a solution to the conflict in the Middle East will be possible only if the legitimate right of the Palestinian people to give effective expression to its national identity is translated into fact, which would take into account the need for a homeland for the Palestinian people.

"They consider that the representatives of the parties to the conflict including the Palestinian people, must participate in the negotiations in an appropriate manner to be worked out in consultation between all the parties concerned.

"In the context of an overall settlement, Israel must be ready *to recognise the legitimate rights* of the Palestinian people: equally, the Arab side must be ready to recognise the right of Israel to live in peace within secure and recognised boundaries."

Reaffirming their declarations in 1973 and 1976, which call for a settlement based on UN Security Council Resolutions 242 and 338, the Nine also offers to contribute to the extent that the interested parties wish towards finding a settlement and putting it into effect. They do not refer specifically to sending peace keeping troops to the Middle East, though this is clearly implicit in the declaration.

The EEC statement also says that the Palestinians must be represented at any peace negotiations, although it makes no specific reference to the PLO.

The implicit warning to Mr. Begin calls upon parties to "refrain from statements and policies which could constitute obstacles to the pursuit of peace."

This is a clear reference to the statements by Mr. Begin since taking office to the effect that the West Bank of the Jordan is an integral part of the state of Israel, and also to his commitment to set up further Jewish settlements in the occupied territories.

Closer to home, the Government leaders failed to resolve the protracted deadlock over where to site JET, the EEC's advanced thermo-nuclear fusion project, but they instructed their Foreign Ministers to renew efforts to reach an agreement next month.

The JET Project, Page 4

Yen tops 270 to dollar

BY CHARLES SMITH, FAR EAST EDITOR TOKYO, June 29.

THE JAPANESE YEN broke the 270-to-the-dollar barrier for the first time in three years to-day in a day of heavy trading which saw the rate rise from 270.75, the Tuesday closing level, to a temporary peak of 267.80.

The market closed at 268.90 after some small scale intervention by the Bank of Japan in the middle of the day.

The cause of the rise was a rush to sell dollars (turnover for the day reached the high figure of $383m.) by banks and other operators who had taken note of warning statements on Japanese payments surplus at last week-end's OECD meeting, and the subsequent Japanese official reaction to them.

At the OECD, Mr. Michael Blumenthal, the U.S. Treasury Secretary, made a call for Japan to stop adding to her official foreign reserves the interest accruing from her holdings of U.S. Treasury bonds, and instead to release such funds on to the foreign exchange market.

This demand, as well as a more general request for dismantling of foreign exchange controls tending to hold down the yen's rate, seems to have been taken to heart by the Japanese authorities.

Mr. Takeo Fukuda, the Prime Minister, said to-day that he was considering measures to reduce the level of Japan's foreign exchange reserves to mitigate overseas criticisms.

Japan held $17.25bn.-worth of foreign exchange reserves at the end of May. The greater part of the reserves are in dollars, and thus presumably earning the interest payments to which Mr. Blumenthal referred in his OECD statement.

Press estimates have suggested that the Japanese authorities might have to divert as much as $100m. a month from the reserves to the foreign exchange markets if Mr. Blumenthal is taken literally.

Channelling of these additional funds into the market would naturally have a sharply strengthening effect on the yen rate.

The exchange rate has moved up by nearly 9 per cent. since the beginning of the year. The authorities believe that under no circumstances should exchange policies be seen to be interfering with a freely floating yen, but that any further sharp appreciation will be extremely unwelcome on the eve of the mid-term election for the upper House of the Diet, due the end of next week.

A higher yen is good news for Japanese industries such as oil-refining and food-processing, which buy imported materials and resell them later on the domestic market; but extremely bad news for the major manufacturing and exporting industries, such as cars, steel and ships.

These are the ones that count politically in Japan, both because of their roles as employers and because of their ability to finance the ruling Liberal Democratic Party.

The Japanese authorities are far from accepting the view that Japan's big surplus with the rest of the world can be phased out simply by exchange adjustments.

Because of this the Government is again trying to work out measures for adjustment of the surplus by other means.

The general lines being explored include stepping up foreign aid; "moderating" exports by various kinds of restraint; and encouraging imports.

All three have been extensively explored in the recent past, and there is some doubt whether anything very new can now be suggested.

France taps Japanese market Page 34

$ in New York

	June 29	Previous
Spot	$1.7205-7215	$1.7201-7204
1 month	0.28-0.22 dis	0.27-0.22 dis
3 months	1.28-1.18 dis	1.47-1.42 dis
12 months	6.00-5.90 dis	6.25-6.15 dis

Libya and Iraq still seek oil price rise

BY RICHARD JOHNS

Libya and Iraq, traditionally two of the most militant oil producers, have dissented from an agreement reached by the majority of the Organisation of Petroleum Exporting Countries' members not to go ahead with a 5 per cent. oil price increase for the second half of 1977.

The split in the ranks of the 11 producers, who last December decided on a 10 per cent. rise for the first half of the year with a further planned *increment from July 1,* was revealed in a brief statement issued yesterday by OPEC's Secretariat in Vienna.

It contained the long-awaited announcement of an accord designed to bring about a compromise with Saudi Arabia and the United Arab Emirates, which stuck at 5 per cent. for the first half of 1977 in defiance of the majority. But the communiqué made clear by implication the abstention of Libya and Iraq.

In opting out they may jeopardise the compromise designed to realign prices and repair the serious split in OPEC's ranks.

Saudi Arabia and the UAE have said that they will raise *their prices to 10* per cent. above 1976 levels as long as the majority waived the extra increase which they announced at the last Ministerial conference.

The OPEC statement said: "*In the interests of the* unity and solidarity of OPEC, the following member-countries of the organisation — Algeria, Ecuador, Gabon, Indonesia, Iran, Kuwait, Nigeria, Qatar and Venezuela—have resolved to forgo the application of the additional 5 per cent. increase in the price of oil as of July 1, 1977, according to the decision taken in Doha in December 1976."

At the very least, the stand taken by Libya and Iraq should ensure that the OPEC conference beginning in Stockholm on July 12 will be a lively affair.

Because the trauma created by the split at the last conference was so great, members had reached a consensus that the basic issue of prices should not be discussed at all at the mid-summer meeting unless a compromise had been reached beforehand.

In the final outcome, Libya and Iraq may merely place on record the fact that they dissociate themselves from the majority decision—a device used before to satisfy Saudi Arabia's objections. They can then attempt to obtain what price they can in the market.

In this respect, Libya, with its light, sulphur-free crude is in a much better position than Iraq.

Accountants attack Morpeth

BY MICHAEL LAFFERTY

THE Accounting Standards Committee, the body which determines company accounting standards, acted decisively yesterday by announcing that controversial proposals on inflation accounting could not be implemented in anything like their present form.

The move comes only a week before a special meeting of the English Institute of Chartered Accountants at which a majority of members is expected to vote against the mandatory introduction of any form of Current Cost

The standards committee decided that the proposals—contained in a discussion document known as Exposure Draft 18 — have not commanded general acceptance in either the accountancy profession or industry. They were drawn up by a group headed by Mr. Douglas Morpeth.

The ASC itself is now to play a much more active role in working out alternative proposals which it will publish, possibly in a series of consultative papers, after it has considered the views of the Morpeth group.

Delayed

One suggestion is that the papers will be very short and each one will deal with a particular subject such as stocks, fixed assets and monetary items.

This change of approach is particularly significant. The Morpeth group had originally been expected to conduct the consultation process itself. It would then have submitted a final package to the ASC for formal approval.

The latest development in the long-running inflation accounting controversy means the timetable for introduction of current cost accounting, already put back twice, will be further delayed.

Last night nobody was prepared to guess when the eventual CCA accounting standard—if there ever is one—will now be issued. This may leave the way open for the Stock Exchange or even the Government to require at least quoted companies to publish some inflation accounting figures.

The monthly ASC meeting had taken on a major significance against the background of next week's special meeting of the English Institute.

It has become clear over the past week that a rebel group of accountants may well defeat the council of the English Institute, the U.K.'s premier accounting body, in a record poll at the meeting next Thursday

In a statement issued after the meeting, the ASC recognised that the anti-CCA resolution is "likely to receive substantial support

"This is a matter which deeply concerns the Accounting Standards Committee To be effective, accounting standards must be generally acceptable to all preparers and users of accounts—not only within the accounting profession but in the business community generally"

It followed that the Accounting Standards Committee "could not propose a definitive standard on CCA for promulgation by the accountancy bodies until it considers this criterion has been satisfied"

While the 650 comments on ED18 indicated a wide acceptance of some of inflation accounting, it was equally clear, the statement said "that substantial simplification and modification of ED18 will be necessary before the Accounting Standards Committee can propose to the accountancy bodies a generally acceptable system of CCA

Statement in full, Page 12

Lex, Back Page

FEATURES

For latest Share Index 'phone 01-246 8026

The real cost of labour

BY PETER RIDDELL

IS LABOUR about to price itself back into work or is unemployment doomed to rise even further? The level and direction of unemployment has become one of the most puzzling economic questions during the past 18 months with each month's figures being watched closely to see if they confirm or refute the many interpretations.

The slight fall in the number of adults out of work between September and May certainly seemed surprising given the depressed state of demand. The Government's various job preservation measures only provided part of the explanation, and the Bank of England Quarterly Bulletin, for example, stated that the stability of unemployment and rise in vacancies could suggest that the economy was more buoyant than implied by other economic indicators. In contrast, the sharp rise in unemployment in the month to mid-June was regarded as delayed backing for those who have argued that the tight monetary squeeze earlier this year has been prolonging the recession.

Divergence

The previous relationships between changes in output and employment anyway appear to have altered significantly during the last couple of years, and there has been a revival of interests in the theories connecting unemployment and the level of real wages. A persuasive view of this relationship is put forward by Professor Richard Sargent and the economics department of the Midland Bank in its review published this morning.

The starting point for their analysis is a double definition of real wages, both as real post-tax earnings and as the cost of labour to the employer (including national insurance and pension fund contributions) related to the price the employer can obtain by selling what is produced. These two series rose more or less in line during the early 1970s upswing, but in Phase one during 1975-76 there was a marked divergence. Real labour costs for the employer increased quite sharply at a time of restraint on prices while real post-tax earnings hardly changed. This can be related to the sharp rise in unemployment in the period.

For the employer, as the review points out, the real cost of labour has to be compared with its productivity. Thus from the third quarter of 1974 to the end of 1975 the labour cost/productivity ratio was rising, and so was unemployment. From the beginning of 1976 this ratio started to fail as pay restraint held though controls on prices were relaxed; unemployment first began to stabilise, then fall slightly.

However, compared with the final stages of the last upswing in 1973 the real cost of labour at the start of this year was low relative to productivity while unemployment was much higher. The review suggests that the expansion of the public sector deficit in 1974-75 to unprecedented levels apparently failed to work in a "Keynesian" way by raising the demand for labour and lowering unemployment. This was because the real cost of labour was working in the other direction.

This interpretation, of course, supports the Prime Minister's now famous comment (already enshrined in economists' books) at the Labour Party conference last year that Britain could no longer spend its way out of recession. But what prospects are offered by the fall in the real cost of labour since the middle of 1976? Professor Sargent and his colleagues suggest that the decline in the ratio of real labour costs to productivity has improved the incentive to employ and to produce. This view is apparently borne out by the stability of unemployment during the winter.

Re-expansion

The rise in unemployment during the last month can be explained, on this view, by the increase in the real cost of labour caused by the higher national insurance contributions which came into force in April. None of this is, of course, conclusive, and anyway the creation of conditions favourable to the re-expansion of employment and output may not be sufficient to stimulate recovery.

The review does not take a very confident view of the independent contribution from industrial investment or foreign trade and their growth may not be enough to compensate for a public sector deficit which may be falling too far for comfort. The authors suggest that it might be appropriate to restore certain of the cuts in public sector capital spending.

But prospects for a sustained improvement in output and employment depend on the recent favourable trends in the real cost of labour continuing.

WIMBLEDON

BY JOHN BARRE

Virginia Wade triumphs ove champion Chris Evert

Virginia Wade: a great display of fighting tennis.

VIRGINIA WADE scored a resounding triumph for Britain in the centenary Wimbledon yesterday, when she knocked out the reigning champion, Chris Evert, 6—2, 4—6, 6—1, in the semi-final of the women's singles.

Miss Wade, 31, who has twice before been a semi-finalist, this time took the ultimate step with a great display of fighting tennis which left the world's leading woman player thoroughly beaten.

Even though she has defeated Miss Evert on five previous occasions, Miss Wade's victory in one hour 54 minutes, was the finest of her career. She was eager and swift, and her game was remarkably free from errors after some early trouble with her first serve.

But there will long be discussion about the final point of the match when, with Miss Wade leading 5—1, 40—30, an Evert cross-court forehand seemed to fall on the line, and a line judge half put up his hand, thought better of it, and pulled it down again.

By then, the American was on her way to the net to congratulate Miss Wade, to a tremendous roar from the crowd. Even if the point had been replayed, as it appeared it should have been, it was unlikely that Miss Evert would have escaped from such a desperate situation.

Miss Evert looked beaten, and quite prepared to concede the loss of her crown to a better player on the day.

Moving smoothly to the net behind some deep backhand approaches, the British girl quickly had her opponent on the defensive.

She broke in the second game with a backhand pass down the line, and moved into a 3—0 lead by holding service after a remarkable game which contained 24 points and in which Miss Evert had six break points before Miss Wade finally won it on her sixth game.

Incredibly, Miss Wade was able to maintain the momentum, breaking the champion again and surviving the loss of her own service game to break Miss Evert yet again to lead 5—1.

Serving for the set, Miss Wade showed the first sign of Wimbledon nerves which have betrayed her so often in the past, netting an easy smash and losing the game to a great Evert passing shot.

But for the fourth successive time, the American's service game let her down. She double-faulted twice, was broken to love, and had lost the first set in 38 minutes.

Miss Wade's service was captured in the very first game of the second set and despite committing another double-fault, the American girl fought off a break point to take a 2—0 lead when a Wade forehand hit the tape and fell back.

Miss Wade pulled level in the sixth game with a forehand pass, a forehand volley, and the benefit of a weak forehand which Miss Evert put tamely in the net.

Though the defending champion was being made to battle for every point, she promptly recaptured her lead with the assistance of a couple of Wade backhand errors, and increased it by serving out confidently to love.

Serving to save the set at 3—5, Miss Wade survived one set point with a brave backhand stop volley, and won the game with another stop volley, this time from the forehand. relief was only temporary. Another double-fault of the match so far was aside by Miss Evert as a gave her her second set which this time she clinc courtesy of a Wade ba error.

As more and more fo mistakes crept into Miss game under relentless pr the British girl surged ahe in the final set, shrugging loss of a point through of bad bounce which woul upset her in previous yea

The lobs with which Miss had occasionally been pu Miss Wade's net game, fe let her down in the sixth when a lob fell inches ou base line to give the Briti a 4—1 lead.

It became 5—1 as, fo sixth time in the match Evert dropped her serv double-faulting again, then ing two forehands into the

This time, there was to escape for Miss Evert. C final point, whether or not out, the crowd rose to sa truly marvellous occasic Britain.

RACING

BY DOMINIC WIGAN

Hope for Lady Mason in Park Top Handicap

A YEAR AGO Peter Walwyn and Pat Eddery lifted Brighton's valuable Park Top Handicap with Honey Blossom. This time they bid for a repeat by way of Lady Mason.

A comfortable winner of a maiden race at Nottingham before she too has been running well. Towards the end of April, Lady Mason, a good-looking Huntercombe filly, has since done well in considerably tougher company.

After the two lengths victory of Newmarket's Richard Marsh Handicap just over a month later, Lady Mason then went to Epsom, where she maintained her improvement with a game third placed effort in the £7,000 Berger Colorizer Handicap. Keeping on well in that one-mile event, she went down by three lengths and a neck to Rounceval and Sobbia respectively.

Although Rounceval and Sobbia have both since let the form down, the first-named with a below-par run in the Andy Capp Handicap, and Sobbia with a poor display in Beverley's Silver Jubilee Stakes, I shall be surprised if Lady Mason does not go close.

Two others with obvious claims to consideration are Miellita, winner of last year's Selsey Stakes, and Countess Lor, an in-form representative of Henry Cecil's Newmarket stable.

The Barry Hills-trained Miellita has not won since that important Goodwood success, but she too has been running well. Three weeks ago the Southbank filly put up a particularly praiseworthy effort when going down by only half-a-length to Haighall, to whom she was trying to concede 2 lbs, in Newbury's Hermitage Stakes.

Countess Lor, an easy winner at Wolverhampton and Leicester in May, found only Gradiva too good in the one-mile Silver Jubilee Stakes at Beverley. Sure to be well suited by to-day's additional two furlongs, she is suggested as the principal threat to Lady Mason.

BRIGHTON

2.00—Food For Thought
2.30—Sahib's Daughter
3.00—Lady Mason***
3.30—County Boy
4.00—Dancing Robe
4.30—Kassandros

YARMOUTH

3.00—Bada's Brook
3.30—Moaning Low*
5.00—Dream Dancer**

SALEROOM

BY ANTONY THORNCRO

Elizabethan flagons make £62,000

A PAIR of Elizabethan silver-gilt flagons, which had belonged to the Mostyn family since they were made in 1601, sold at Christie's yesterday for £62,000 to the London dealer How of Edinburgh. The flagons, 12¼ inches high and weighing 105 ounces, are engraved with animals and birds and a coat of arms, presumed that of Sir Roger Mostyn who died in 1642. All prices carry an extra 10 per cent buyer's premium.

Silver from the collection of Lord Mostyn totalled £133,520 out of a total for English silver of £350,035. How of Edinburgh also paid £29,000 for a Charles II plain circular basin, which also belonged to Lord Mostyn, while an Elizabethan I silver gilt standing cup and cover, owned by the vicar and church wardens of St. Mary's, Watford, went for £25,000 to S. J. Phillips. Another item of church silver, a silver gilt cup of James I. from St. John's, Gravesend, went to the same dealer for £6,000.

A James II ewer and dish by Thomas Jenkins was bought by Jessop for £15,000, and a pair of George I pearshaped covered jugs fetched £10,000.

Sotheby's persevered with its week of important Impressionist and Modern paintings and sculpture, bringing in a further £551,200 in the morning session. A Renoir *Fraises sur une Nappe blanche* realised £24,000; a Boudin *Port en Bretagne* made £18,000; *Le Merique* by Foujita did well at £21,000; a Derain *Nature morte au Pain* sold for £18,000; and another Foujita, *La Bolivie* went for £16,000.

The top prices in the afternoon sale, which had its share of disappointments, were £20,000 for *Fleurs* by Redon; £12,800 from Wadd and Tooth for *Tete de F* by Henri Laurens; and £ for a Fernand Leger *Pro Decoration pour Rocke Centre, New York*.

TV/Radio

BBC 1

† Indicates programme in black and white.

1.20 p.m. On the Move. 1.30 Ragtime. 1.45 News. 1.55 Wimbledon Lawn Tennis. 4.18 Regional News (except London). 4.20 Play School. 4.45 Scooby Doo. 5.05 Blue Peter. 5.35 Ludwig.
5.40 News.
5.55 Nationwide (London and South-East only).
6.15 Wimbledon Tennis.
7.15 Top of the Pops.
7.40 Max Bygraves says "I Wanna Tell You a Story."
8.30 Mr. Big.
9.00 News.
9.25 The Frost Programme.
9.55 Omnibus: André Previn explores brass bands.
10.45 To-night: The Panama Canal—America's Suez?
11.25 Weather/Regional News.

All Regions as BBC 1 except at the following times:—

Wales—4.45 p.m. Crystal Tipps and Alistair. 4.50-5.05 Y Tren Sgrech. 5.55-6.15 Wales To-day. 6.55-7.15 Heddiw. 11.25 News and Weather for Wales.

Scotland—5.55-6.15 p.m. Reporting Scotland. 11.25 News and Weather for Scotland.

Northern Ireland—4.18-4.20 p.m. Northern Ireland News. 5.55-6.15 Scene Around Six. 11.25 News and Weather for Northern Ireland.

England—5.55-6.15 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South-West (Plymouth).

BBC 2

11.00 a.m. Play School.
2.00 p.m. Wimbledon Tennis.
7.30 News on 2.
7.40 In Her Majesty's Service.
†8.00 Ealing Cinema: 8.00 Gaumont British News August 1951; 8.10 "The Man In The White Suit," starring Alec Guinness and Joan Greenwood.
9.30 Shirely Bassey.
10.15 Wimbledon (highlights).
11.05 Late News on 2.
11.15-11.20 Closedown: Marius Goring reads "Boo to a Goose" by Norman Nicholson.

LONDON

9.30 a.m. Summer Schools. 10.15 Thursday Morning Film: "The Birds And The Bees." 11.45 Granny's Kitchen. 12.00 Gammon and Spinach. 12.10 p.m. Hickory House. 12.30 Treasures in Store. 1.00 News. 1.20 To-day's Post. 1.30 Quick on the Draw. 2.00 Good Afternoon. 2.25 Public Eye. 3.20 Crown Court. 3.50 The Cedar Tree. 4.20 The Time Tunnel. 5.15 Shadows.
5.45 News.
6.00 To-day.
6.35 Cartoon Time.
6.45 Crossroads.
7.10 Get Some In!
7.40 Thursday Film Premiere: "Murder On Flight 502."
9.30 This Week.
10.00 News.
10.30 Gibbsville.
11.30 Star Rider.
12.00 What the Papers Say.
12.15 a.m. Close: Archbishop Appleton reading his own prayers.

All IBA Regions as London except at the following times:—

ANGLIA

10.15 a.m. Look Who's Talking. 10.40 A World Worth Keeping. 11.05 The Vanishing Forest. 11.35 The Entertainers. 1.25 p.m. Anglia News. 2.00 Women Only. 4.20 The Lost Islands. 4.50 Batman. 5.15 Moon Movies. 6.00 About Anglia. 6.20 Arena. 7.00 Beryl's Lot. 7.30 Get Some In! 8.00 Mystery Movie: McCloud. 10.30 Speedway. 11.15 Rush. 12.15 a.m. The Living Word.

ATV

10.15 a.m. Cosmic Zoom. †10.25 Morning Matinee: "The Divorce Of Lady X." starring Merle Oberon and Laurence Olivier. 1.20 p.m. ATV Newsdesk. 4.20 The Little House on the Prairie. 5.15 Happy Days. 6.00 ATV To-day. 7.00 Get Some In! 7.30 The Thursday Action Film: "To Hell And Back." starring Audie Murphy. 10.30 The Collaborators. 11.30 Love, American Style.

BORDER

10.15 a.m. Look Who's Talking. 10.40 World Worth Keeping. 11.05 The Vanishing Forest. 11.35 The Entertainers: Alex Sutherland. †1.20 p.m. Border News. †4.20 Children's Matinee: "Abbott And Costello In The Foreign Legion." 6.00 Border News and Lookaround. 7.00 Emmerdale Farm. 7.30 Get Some In! 8.00 Cartoon Time. 8.05 TV Movie: "The Chadwick Family," starring Fred MacMurray. 10.30 Rush. 11.30 Gardening To-day. †12.00 Border News Summary.

CHANNEL

†1.18 p.m. Channel Lunchtime News and What's On Where. 4.20 Wildlife Theatre. 4.45 Thunderbirds. †6.00 Channel News. †6.10 Lassie. 7.00 Get Some In. †7.30 The Big Film: "To The Ends Of The Earth." †10.28 Channel Late News. †10.32 The Master Chefs (Spain). 10.40 Dan August. †11.35 Actualities et Projections.

GRAMPIAN

9.25 a.m. First Thing. 10.15 Look Who's Talking (Dame Alicia Markova). 10.40 A World Worth Keeping. 11.05 Documentary (The Vanishing Forest). 11.35 Alex Sutherland. 1.20 p.m. Grampian News Headlines. 4.20 Fantastic Voyage. 4.45 Space 1999. 6.00 Grampian To-day. 7.00 Get Some In. 7.30 Thursday Mystery Movie: McCloud. 10.30 June Plus Two. 11.15 Reflections. 11.20 What The Papers Say. 11.35 Octopus Hunt (National Film Board of Canada film).

GRANADA

10.15 a.m. Sesame Street. 11.10 Winning With Wilkie. 11.35 Tomfoolery. 1.20 p.m. This Is Your Right. 4.20 Tarzan. 5.10 Workshop. 5.15 Crossroads. 6.00 Granada Reports. 6.40 The Bionic Woman. 7.35 Get Some In. 8.05 Mystery Movie: McCloud. 10.30 Phyllis. 11.00 What The Papers Say. 11.20 Disappearing World.

HTV

10.15 a.m. Look Who's Talking (Dame Alicia Markova). 10.40 A World Worth Keeping. 11.05 The Vanishing Forest. 11.35 The Entertainers: Sutherland Style. 1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Women Only. 5.15 Babar. 5.20 Crossroads. 6.00 Report West. 6.18 Report Wales. 6.35 Countryside. 7.05 Mr. and Mrs. 7.35 The Thursday Mystery Movie: McCloud. 10.35 Gallery. 11.05 Dan August.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 4.20 Miri Mawr. 4.30 Seren Wib. 4.45-5.15 The Ghosts of Motley Hall. 6.00-6.18 Y Dydd. 10.35 Salute to Glen Miller. 11.20-12.15 a.m. Dan August.

HTV West—1.20-1.30 p.m. Report West Headlines. 6.18-6.35 Sport West.

SCOTTISH

10.15 a.m. Look Who's Talking. 10.40 World Worth Keeping. 11.05 The Vanishing Forest. 11.35 The Entertainers. 1.25 p.m. News Headlines and Road and Weather Report. 2.00 Women Only. 4.20 The Lost Islands. 4.50 The Woody Woodpecker Show. 5.15 Professor Kitzel. 5.20 Crossroads. 6.00 Scotland To-day. 6.30 Garnock Way. 7.00 Popeye. 7.30 Get Some In! 7.40 Feature Film: "Indict And Convict" starring Eli Wallach. 10.30 State Your Case. 11.00 George Melly . . . at the Wheeltappers. 11.30 Late Call. 11.35 If the Shooting Starts.

SOUTHERN

10.15 a.m. Look Who's Talking. 10.40 A World Worth Keeping. 11.05 The Vanishing Forest. 11.35 The Entertainers. 1.20 p.m. Southern News. 2.00 Woman Only. 3.20 David Niven's World. 4.20 Little House on the Prairie. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day. 6.40 University Challenge. 7.10 Get Some In! 7.40 Mystery Movie: McCoy. 10.30 The Arnhem Report. 11.40 Southern News Extra. †11.50 "The Case Of The Mukkinese Battle-horn."

TYNE TEES

9.25 a.m. North-East News Headlines followed by Starting Point. 10.15 Look Who's Talking. 10.40 A World Worth Keeping. 11.05 The Vanishing Forest. 11.35 The Entertainers. 1.20 p.m. North-East News and Lookaround. 2.00 Women Only. 4.20 The Lost Islands. 4.50 Tarzan. 6.00 Northern Life. 7.00 Emmerdale Farm. 7.30 Get Some In! 8.00 Mystery Movie—Lanigan's Rabbi. 10.30 Double Top. 11.15 Police Woman. 12.15 a.m. Epilogue.

ULSTER

10.15 a.m. Walking Westward. 10.40 A World Worth Keeping. 11.05 Documentary—The Vanishing Forest. 11.35 The Entertainers. 1.20 p.m. Lunchtime. 3.48 Ulster News Headlines. 4.20 Woobinda. 4.45 Little House on the Prairie. 6.00 Ulster Television News. 6.05 Crossroads. 6.30 Reports. 6.45 Want A Job? 7.00 Get Some In! †7.30 Thursday Movie: "A Night To Remember," starring Kenneth More. 10.30 Phyllis. 11.00 What's It All About. 11.30 The Electric Theatre Show —Stacey Keach. 12.00 Bedtime.

WESTWARD

10.15 a.m. Look Who's Talking. 10.40 A World Worth Keeping. 11.05 The Vanishing Forest. 11.35 The Entertainers: Alex Sutherland. 12.25 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 4.20 Wildlife Theatre. 4.45 Thunderbirds. 6.00 Westward Diary. 7.00 Get Some In! †7.30 The Big Film: "To The Ends Of The Earth," starring Dick Powell. 10.28 Westward Late News. 10.30 West Country Job Finder. 10.40 Dan August. 11.35 Faith For Life.

YORKSHIRE

10.15 a.m. Winning with Wilkie. 10.40 Catch Kandy. 11.05 Thunderbirds. 11.55 Dodo the Space Kid. 1.20 p.m. Calendar News. 4.20 The Lost Islands. 4.45 The Little House on the Prairie. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 7.30 Get Some In! 8.00 Lanigan's Rabbi. 10.30 The Arnhem Report. 11.40 Elaine, the Singer of the Song.

RADIO 1 247m

(S) Stereophonic broadcast

6.00 a.m. As Radio 2. 7.02 Noel Edmonds. 9.00 Tony Blackburn. 12.00 Paul Burnett including 12.30 p.m. Newsbeat. 2.02 David Hamilton (S) (also on VHF). 4.30 It's D.L.T. OK! including 5.30 Newsbeat. 7.00 Wit's End (joins Radio 2). 10.02 John Peel (S) (also on VHF). 12.00-12.05 a.m. As Radio 2.

RADIO 2 1,500m and VHF

6.00 a.m. News Summary. 6.02 Colin Berry (S) including 6.15 Pause for Thought. 7.02 Terry Wogan (S) including 8.27 Racing Bulletin. 8.45 Pause for Thought. 9.02-11.30 Pete Murray's Open House (S) including 10.30 Waggoners' Walk. 11.30 Jimmy Young (S). 1.50 p.m. Sports Desk. 1.55 Good Listening (VHF). 2.02 Wimbledon 77 (200kHz only, also 1484kHz Scotland. VHF joins Radio 1). 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45-6.55 Wimbledon 77 (200kHz only, also 1484kHz Scotland), including 4.45, 5.45 and 6.45 Sports Desk. 4.45-6.55 John Dunn (S) (VHF only). 6.55 Next Move. 7.02 Wit's End. 7.30 Sports Desk. 7.33 Joe Loss and his Orchestra in Band Parade (S). 8.30 David Allan's Country Club (S). 10.02 Sports Desk (200kHz only, also 1484kHz Scotland. VHF joins Radio 1). 10.05 Folkweave (200kHz only, also 1484kHz Scotland. VHF joins Radio 1). 11.02 Ruth Cobbin with The Late Show (200kHz only, also 1484kHz Scotland. VHF joins Radio 1). 12.00-12.05 a.m. News.

RADIO 3 464m, Stereo & VHF

(S) Stereophonic broadcast
Q Quadraphonic broadcast

6.55 a.m. Weather (medium wave only). 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composers: The Bonda Family (S). 9.50 Music of Tchaikovsky's Russia (S). 11.30 BBC Northern Singers (S). 12.15 p.m. Shostakovich, concert, part 1 (S). 1.00 News. 1.05 Shostakovich part 2 (S). 2.25 Mozart Ensembles (S). 3.40 20th-Century Piano Music (S). 4.25 BBC Symphony Orchestra (S). 5.45 Homeward Bound (S). 6.05 News. 6.10 Homeward Bound (continued). 6.30 Lifelines: The Wider World. 7.00 "Aida" direct from the Royal Opera House, Covent Garden, Act 1 (S and Q). 7.45 Rubens and Co. (talk by Dr. Peter Cannon-Brookes). 8.15 "Aida" Act 2 (S and Q). 9.05 A night at the Albanian Opera (talk by Leslie Cardiner) (S). 9.25 "Aida" Act 3 (S and Q). 10.00 Missionaries Among the Savages (talk by Michael Holroyd). 10.20 "Aida" Act 4 (S and Q). 11.00 Drama Now (S). 11.55-12.00 News.

Radio 3 VHF only—6.00-7.00 a.m. Open University.

RADIO 4

434m, 330m, 285m and VHF

6.15 a.m. News. 6.17 Farming Today. 6.35 Up to the Hour. 6.52 (VHF) Regional News. 7.00 News. 7.10 Today. 7.35 Up to the Hour (continued). 7.52 (VHF) Regional News. 8.00 News. 8.10 Today including news headlines, weather, papers, sport. 8.45 Yesterday in Parliament. 9.00 News. 9.05 These you have Loved (S). 10.00 News. 10.05 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Simenon's Maigret (S). 11.50 So This is Showbusiness. 12.00 News. 12.02 p.m. You and Yours. 12.27 My Music (S). 12.55 Weather, programme news VHF (except London and SE) Regional News. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre (S). 3.50 Jack De Manio Precisely including 4.00-4.05 News. 4.35 Story Time. 5.00 PM Reports. 5.50 Financial Report, VHF Regional News. 5.55 Weather, programme news. 6.00 News. 6.15 Brain of Britain. 6.45 The Archers. 7.00 News. 7.05 The World in Focus. 7.30 Any Answers? 8.00 Woman's Hour Goes to China. 8.45 Analysis. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.45 A Book at Bedtime. 11.00 The Financial World Tonight. 11.15 Today in Parliament. 11.30 News.

BBC Radio London

206m and 94.9 VHF

6.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 London Live. 11.03 Jenny Thompson and Diana Rice with In Town. 12.03 p.m. Call In, including 1.00 London News Desk. 2.03 206 Showcase. 4.03 Home Run, including London News Desk. 6.10 Look, Stop, Listen. 7.30 Jenny Thompson and Diana Rice with In Town (as 11.03 a.m.). 8.10 Soul 77. 10.03 Late Night London. 12.00-Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

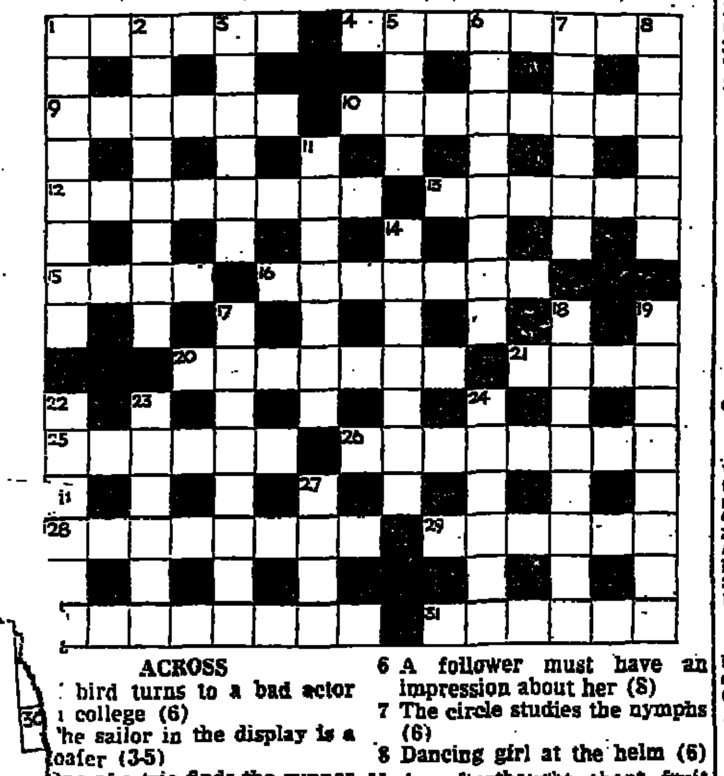
5.00 a.m. Morning Music. 6.00 "A.M."—breakfast-time show. 10.00 Brian Hayes. 12.05 p.m. Midday Report with Alan Clark. 1.30 LBC's after-lunch special with Sarah Dickinson and Vivian White. 4.45 Afternoon Report. 5.30 Newsbreak. 8.00 Music in Stereo. 9.00 Nightline. 1.00-4.30 a.m. Nightwatch—news every half-hour through the night.

Capital Radio

194m and 95.8 VHF

6.00 a.m. Tony Myatt's Breakfast Show. 9.00 Michael Aspel. 12.00 Dave Cash with Cash on Delivery. 3.00 p.m. Roger Scott with his Three O'Clock Thrill. 7.00 London Today. 7.30 Bryan Wolfe's Open Line. 9.00 Nicky Horne's rock programme. 11.00 Mike Allen's Late Show. 2.00 a.m. Peter Young's Night Flight.

F.T. CROSSWORD PUZZLE No. 3,418



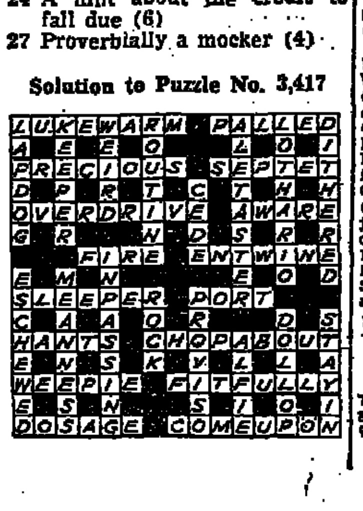
ACROSS

… bird turns to a bad actor … college (6)
… he sailor in the display is a … oafer (3-5)
One of a trio finds the gunner among French pals (6)
Scots title suggests bulletin from Queen Charlotte's (8)
Optimistic point in South Africa (4, 4)
13 Curb for a newlywed about fifty (6)
15 Done to a turn in Holland (4)
16 Knight of granite perhaps (7)
20 Generally accepted as a source of power (7)
21 Broken but animated in elegy (4)
25 "Through which — shows her brightening face" (Thomson) (6)
26 One punctilious to adhere to the French right (8)
28 Allowable with one politician that's taken as read (8)
29 A set routine—it is fashionable to be in it (6)
30 Calmly submissive but no longer a member (8)
31 School charges surrounding an abstainer (6)

DOWN

1 He quarrels but is high in the Honours list (8)
2 Foreign interpreter upsets Mona after a tow (8)
3 Land on fire (6)
5 A doctor's portion of the Bible (4)
6 A follower must have an impression about her (8)
7 The circle studies the nymphs (6)
8 Dancing girl at the helm (6)
11 An afterthought about fruit comes into view (7)
14 Fish snares for precious stones (7)
17 Oriental preparation for a rub-down (8)
18 Leaves the station as a dentist might do (5, 3)
19 Beginners, of course (8)
22 Delicacy not appreciated by the general (6)
23 It's curtains for disturbed padres (6)
24 A hint about the credit to fall due (6)
27 Proverbially a mocker (4)

Solution to Puzzle No. 3,417



ENTERTAINMENT GUIDE

CC—These theatres accept certain credit cards by telephone or at the box office

OPERA & BALLET

THEATRES

THEATRES

CINEMAS

CLUBS

Royal Exchange, Manchester

Leaping Ginger

In Trevor Peacock's Leaping Ginger, director Braham Murray has not so much handicapped, as has lately been in Fire Angel, and other recent musicals, with extravagant set unimaginative choreography, a plethora of hand-held mikes, and a story purporting to be about the S.A. which has been concocted by a British scriptwriter.

Indeed he is hardly encumbered with a story at all. "Leaping Ginger"—Ginger Carmody—has out of a six-month stretch and within 24 hours gets taken by Jack Palace, an East End time baron, and falls in love with Rosie, his prison after-care officer, a beautiful young Nigerian girl. Both connections are traced to their more-or-less predictable conclusions—Ginger's uncontrolled good intentions lead him back into trouble when he Schmalls Palace for money to aid an old ladies home on Sunday, but all ends well. The action runs through a series of sketches that are much like the material.

The evening is good tempered, simple and sentimental; occasionally as in the scene where two detectives raid Ginger's porn-shop, very funny. A good deal of cutting is called for, both of the dialogue and the songs; the show runs three hours, to my mind at least half an hour too long for such a lightweight offering. The production, which marks the first appearance of a new play at this theatre, dispenses with a permanent set altogether in the characteristic Royal Exchange manner, substituting moveable props designed by Johanna Bryant.

The characters are all ready-mades, likeable or unlikeable as required. Christopher Neil makes Ginger a nice, narrow-chested Cockney, displaying more of his generous charm than of the criminal ability that is supposed to have made him such a hero in West Ham. Alibe Parsons as Rosie, has a sweet voice and projects her lyrics better than any of the others. The girl is a bit naive. When Ginger presents her with an unexpected £600 she merely sings "Where did you get that smile?"—no behaviour for a Probation Officer. As Jack Palace, the master-crook, Malcolm Rennie gives a powerful performance and sings with a powerful voice. The music, backed by a small group sitting in the stalls, is under the supervision of Nigel Hess.

B. A. YOUNG

Vaudeville

On Approval

Frederick Lonsdale's amusing, moralistic comedy is in danger of becoming a West End standby. It demands four accomplished comic actors and two settings (in Mayfair and Scotland). The film starred Beatrice Lillie and Clive Brook; Ronald Squire was the original Duke of Bristol in 1927 (repeating the role in 1933) while, more recently, there have been revivals starring Michael Denison and Dulcie Gray (1966) and, only last year, Edward Woodward and Geraldine McEwan.

The play, typical of its day, serves chiefly to make obvious the superior achievements of Noel Coward with two plays that, chronologically speaking, nestle either side of it: *Hay Fever* and *Private Lives*. There is the fabulous relationship of the Duke and the rich widow, Maria Wislack, which the other two characters leave to fend for itself as they make a dash through the snow. Helen and Richard, by the end, have assumed the roles of conspiratorial outsiders even though the quartet's removal to Scotland is initially occasioned by Maria's plan to spend a month with Richard "on approval" pending a decision to marry him.

Richard is to the Duke, in some respects, what Aguecheek is to Toby Belch. "I too have loved," reflects the very funny Moray Watson (Aguecheek, on the other hand, was a passive recipient of a distant admiration) explaining his devotion to Maria, a devotion founded on the simple fact that she has an income of £25,000 a year and he one of £300. Carolyn Seymour makes of Helen a character less colourless than usual, resolutely refusing a chance to become the Duchess of Bristol merely because the Duke is the Duke and an excessively boring person.

Frith Banbury's production quite correctly allows Patricia Routledge to make of Maria Wislack a shrill and unlikeable gorgon, while Kenneth More as the Duke ambles amiably through the proceedings without once changing gear. His best moment is that in which he silently buries his affection for Helen and turns over a new leaf: accusations of selfish pomposity bring on a fit of exaggerated bonhomie.

The production makes little distinction between the luxury of Mayfair and the hardship of Scotland and the final, cruel sentence of the Duke and Maria to "six months before the mast as common sailors" does not carry the harsh, moral force we should expect of a contemporary production. Everything is taken at a pace so leisured that you leave the theatre convinced the idea was merely to recreate the circumstances of the original production. That approach will please many, but not win Lonsdale any new friends.

MICHAEL COVENEY

The books page will be in to-morrow's paper

Hampton Court

Twice two concerts

During the Thameside Festival, sponsored by Imperial Tobacco, the English Chamber Orchestra has been heard up and down the river from Windsor to Greenwich. The only habitual venue included was the Festival Hall, for the concert last Sunday. This week it arrived at Hampton Court where the ECO was split in two—wind and strings—and divided between the Fountain Court downstairs and the Great Hall upstairs. Each half played a short programme twice. The audience, also divided, played Box and Cox, meeting for an al fresco supper in the interval.

It was cool (of course) but the skies were kind. The palace looked wonderfully inviting at this hour when few people normally see it. Prudent patrons heard the outside half of the double concert first, when a wintry gleam of midsummer sun was still shining on Fountain Court. The wind ensemble sounded admirable there—if only these players had brought as much full-toned gusto to the Haffner Serenade on Sunday. Gounod's Little Symphony, played as well as this, is a treat to hear. The arrangement by Wendt of *airs and duets from* Mozart's *Figaro* on the other hand, palls rather soon. Wendt was an oboeist, and gave the best tunes to his own instrument, with the result that the ECO clarinets were largely confined to *quacking single-note* accompaniments.

Unlike most high-roofed buildings, the Great Hall is kind to instruments, at least in modest quantities. The strings in Handel's Concerto Grosso no. 11 (from op. 6) were unexpectedly clear. Jessye Norman sang, with her special combination of opulent tone and intimate expression, Cleopatra's prison aria from *Julius Caesar* and Dido's Lament. Mozart's *Kleine Nachtmusik* was to follow.

RONALD CRICHTON

Record review

Stupendous Art

by NICHOLAS KENYON

Handel: Organ Concertos op. 4 and 7. Herbert Tachezi, Concentus Musicus of Vienna/Nikolaus Harnoncourt. Telefunken DAW 6.35282 (3 records)

Buxtehude: Organ Works Vol. 4. Michel Chapuis. Telefunken DAW 6.35309 (2 records)

Locke: The Tempest; Music for His Majesty's Sackbuts and Cornetts. Soloists, Academy of Ancient Music/Christopher Hogwood. L'Oiseau-Lyre DSLO 507

Bach: Brandenburg Concertos Nos. 1-6. Soloists, Philomusica of London/Thurston Dart. L'Oiseau-Lyre DPA 577-8 (2 records)

"Stupendous Art": the phrase is Sir John Hawkins's, describing Handel's skill at improvising an introduction to one of his organ concertos. How brilliantly well suited to Handel's own talents was this new musical form which he created! The concertos gave oratorio audiences a chance to see the great composer in a role more prominent than that of continuo player, and more noticeable than that of concert promoter. Into the intervals of predominantly serious oratorios they injected a few minutes of virtuoso display, and moreover they provided the opportunity for Handel to show his ingenious skill at improvisation in "passages concatenated with stupendous art, the whole being at the same time perfectly intelligible."

All of which makes the task of present-day performers of these concertos acutely difficult. It is easy enough for players to select movements from other works by Handel to fill those gaps in the Op 7 concertos where the composer would have improvised; fairly easy, too, to interpolate an occasional improvised flourish into the music at cadential points. But to capture the spirit of "total improvisation" in which this music was conceived; to match what Hawkins called the "copiousness of (Handel's) imagination and the fertility of his invention"; to escape, in a word, from the dictatorship of the written note—this is well-nigh impossible.

But Herbert Tachezi's new recording with the Concentus Musicus of Vienna—for the first time on any discs I have heard—achieves just that improvisatory quality. The key to his success is the splendid little chamber organ on which he plays, a modern instrument in perfect order, which enables him to realise the virtuoso elements in the concertos with all the lightness and speed of a harpsichordist. Thus are removed the drawbacks of Daniel Chorzempa's version (on an old small organ without the flexible responsiveness of Tachezi's) and George Malcolm's version (on organs too large to convince). Whether scholarly objections to those two recent issues (which were cogently and forcibly made by Anthony Hicks in an article in the February 1977 *Musical Times*) also apply to this new set, I cannot say with certainty. Certainly Tachezi indulges in pre-concerto flourishes (for example in Op No. 4) such as Hicks criticises, but here they seem to me convincing and in no way distracting.

Indeed all the improvised movements, which the booklet assures us were genuinely improvised at the sessions and not prepared, have a marvellous spontaneity and florid demonstrativeness about them. It is possible to be less satisfied with the over-phrased and occasionally rasping contribution of the orchestra (perhaps recorded too close), but to hear Tachezi weave a texture of solid grandeur in the *ad lib* parts of Op. 7 No. 3, or decorate the first brilliant Allegro movement of Op 7 No. 4 is a most invigorating and satisfying experience.

The contrast with Michel Chapuis' final volume of organ music by Buxtehude could scarcely be greater. Massive, overwhelming sounds, powerfully projected on a fierce Abrend organ: this is the German tradition with which Handel grew up, only to reject the organ as a medium of spiritual enlightenment and turn it into one of profitable entertainment. Chapuis, who was, I thought, annoyingly undisciplined and erratic in his recording of the complete Bach organ works, appears to find his ideal composer in Buxtehude. This wayward genius, who filled his music with violent contrasts and unlikely twists and turns, is well served by Chapuis' forceful interpretations: the Chorale Preludes in this final set are less interesting than the Preludes and Fugues (in fact Toccatas in several strongly-contrasted sections) which are at times overwhelming in their grandeur.

A contemporary of Buxtehude's no less in need of persuasive new recordings is the Englishman Matthew Locke. The Academy of Ancient Music's new disc is the only worthy celebration on record of Locke's tercentenary; they have chosen arguably his finest secular works—his music for *The Tempest* and for His Majesty's Sackbuts and Cornetts—and given them performances of strength and beauty. The extraordinary inventiveness of Locke's dances (and particularly of his Curtain Tune and final Canon) is reflected in playing by the authentic strings of the Academy under Christopher Hogwood which marks a considerable advance on the ensemble's previous recordings. Locke's toughness emerges the more strongly because his music is interspersed here with vocal music by Humfrey, Banister, Hart and Reggio also intended for *The Tempest*, which is distinctly short on inspiration.

A brief note on a most welcome and illuminating re-issue: that of Thurston Dart's 1959 performance of the Brandenburg Concertos with the Philomusica of London. These clean and lively accounts prove with chastening efficiency that authenticity does not need old instruments nearly as much as it needs *musical sensitivity. Difficult to* better the clarity and controlled speeds of Dart's Second Concerto, or the precision and excitement of his Fourth. In a crowded catalogue, of Brandenburgs, one of the most strongly recommended versions.

Handel

Festival Hall

Karl Böhm

by RONALD CRICHTON

Austria's leading musician does not visit us nearly often enough. When he comes he is greeted (as at Tuesday's concert with the London Symphony Orchestra) with a full house and a standing ovation. More important, his concerts leave an impression far deeper than the cheering that begins before the last note has sounded. Böhm's readings of the Viennese classics, sane as they are, provoke thought. One goes back to them again and again in the mind's ear.

For this occasion he had composed a lovely programme of two symphonies, the Second respectively of Schubert and Brahms. Schubert's *No. 2* in B flat is not often heard in the concert hall (though obtainable on record, conducted by Böhm among others) and very rarely as well as this—with a breadth, splendour and affectionate wit *removing it well out of the* sphere of gifted juvenilia to which Schubert's first symphonies used to be condescendingly allotted.

There seemed at first to be too many strings. Indeed, their weight suited the imposing introduction better than the staccato scales of the allegro's first theme, but it soon became apparent that rehearsal time had been spent more on the spirit than the letter. The movement as a whole had a high, Weberish excitement. The Andante variations were promoted from the area of sprigged muslin to a level where the later pages could safely accommodate glances forward to the big C major Symphony. The Conga rhythm of the irresistible finale was infectious enough to set feet tapping and alas! hands ineptly beating time.

About Böhm's Brahms there was remarkably little of the *ruminative, stomach-patting* Viennese afterglow which senior conductors frequently impart to the Second. The symphony began in a subdued, questioning mood but quickly developed a fierce thrust—afterglow there was indeed in *the first movement coda* and in the Allegretto, but these moments of tranquillity were reached after storms of tough-minded argument presented with lean, muscular, almost rough tone.

The finale was uncommonly interesting and, without any trespassing beyond Brahms's severe limits of emotional expression, eventful. The playing was in all departments vital and whole-hearted yet two details must be mentioned—the violin phrase in octaves after letter E of the Adagio for infinitely tender sadness, the pianissimo return to the main theme of the finale. If only this conductor and orchestra could work together more frequently!

Planetarium

Laserium

It was unfortunate for the Planetarium that it should mount the second laser show to hit London in a week—there was a severe prejudice against this new form of entertainment after the dire Lovelight at the Metropole. But Laserium is a tremendous improvement. In fact it is recommendable.

For a start the Planetarium is a much better place for a laser demonstration than a cinema. Resting back in the chairs, with the heavens above providing more than a backcloth, the threshing lights provided a gigantic firework show. The laser operator *apparently* creates the shapes rather than follows a determined pattern, and when he is on form you get not only exciting comets roaming the heavens but much denser masses of colour like a storm at sunset.

In addition the contortions of colours cry out for a sympathetic musical accompaniment, and although there are few surprises in the Laserium concert, (the inevitable contributions from Pink Floyd and Emerson Lake and Palmer), the sounds are much *more exciting. Particularly effec*tive was the lasers reaction to The Blue Danube by Strauss and to the stately music of Corelli. For an unusual experience, which manages to be both restful and stimulating, the Laserium *almost* fulfills the view that we are approaching a laser dominated future.

ANTONY THORNCROFT

Festival Ballet's plans

Following their season at the London Coliseum Festival Ballet will fly directly to Australia where the impresario Michael *Edgley will present them in a* five-week tour beginning in Perth on July 18 and going on to Melbourne, Adelaide, Sydney and ending in Brisbane on August 20.

The company will be taking Nureyev's new production of *Romeo and Juliet* and Mary Skeaping's version of *Giselle*. In Perth, Melbourne and Adelaide, the two ballets will be performed; in Sydney, *Romeo and Juliet* only, and in Brisbane, *Giselle* only.

The company will fly back on August 21 and open on August 24 at the Festival Hall for a season which runs until September 15.

National Portrait Gallery

Graham Sutherland

by WILLIAM PACKER

Graham Sutherland is one of our most distinguished artists, if only by dint of the material success he has enjoyed, which fixes him in the public eye as nothing else can. He was the outstanding English painter of the war and immediate post-war years; and what he produced in that period—the small, exquisite landscapes; the studies of natural forms that harked back to the work of Paul Nash in the thirties; and the related interest in blitzed and razed buildings, all evolving easily into the romantic surrealism that has marked him ever since, remains the most generally accessible and the most acceptable critically of all his work.

A little later, Francis Bacon joined him on his eminence, easing him off eventually: but Sutherland's reputation was sustained, indeed enhanced, as his critical importance fell away, at first by the storm of controversy that broke over his portrait of Sir Winston Churchill, and then by the somewhat more generalised Modern-Art-and-Architecture question that lowered over the new Coventry Cathedral.

Any exhibition of his work, therefore, is bound to be of interest, all the more so when it is in some measure retrospective, for that is a treat we have not enjoyed here since 1953. Now the National Portrait Gallery repairs that deficiency in part, until October 16 filling the fine rooms of its annexe in Carlton House Terrace with a definitive exposition of his work as a portrait painter.

Sutherland's portrait of Helena Rubinstein

The pattern of the show is to surround each major portrait with the available working material: studies, drawings, compositional essays and so on (in the case of the Churchill paintings, such stuff, notoriously, is all there is). It is an admirable *scheme, but harsh, indicating* fairly the strengths yet exposing the weaknesses with some severity; and in almost every instance these large, final versions are shown to be failures, some of them embarrassingly so. Across the room they might be given the benefit of a doubt, but generosity tends to evaporate with a closer look. The smaller paintings, so far as they go, are usually happier, and the drawings too, but they are all so much less ambitious: and even here doubt again creeps in.

Much is made of Sutherland's infinitely painstaking method; and certainly it is made very clear what is meant by it. It seems to consist in exact and laboured transcription, the chosen image carefully squared up and copied, the several drawings on exactly the same lines, with only a variation or two of tone or colour. But there is no essential difference to be discerned between them, no perceptible discrimination in interpretation, no nice shifts in observation, no development of idea.

They flatter to deceive, suggesting more intensive a procedure than in fact takes place. They stand in earnest of serious endeavour rather than for actual achievement. There is much that is fishy about them: in what order were they made; did they precede, follow or march with the painting; to what extent were they worked (awful thought) *from photographs*? Very occasionally a set of them will come alive, the drawings of Churchill's fingers, for example, which possess much of the free and nervous energy that informs many of the early thorn and tree *studies*. But such exceptions only emphasise the timid stolidity of the rest.

The paintings are, in general, vulgar, crude, ill-drawn and badly painted. There is always something to be said for them, as undoubtedly there was for the curate's egg. The painting of Somerset Maugham, his first important portrait, though hardly felicitous, is a memorable work, awkward, idiosyncratic and characteristic. The head of Edward Sackville-West is very fine, the picture of an austere Spanish saint. Helena Rubenstein, is the best of all his *portraits, dominates the room.* But, pity the poor curate, a bad egg is still a bad egg.

Perhaps it is simply that Sutherland is not a natural painter, but rather a graphic artist, at home with line and pattern but unhappy with the modelled description of form. On a small scale and used freely, the pigment answers for itself: stretched thinly across a large surface it merely fills in between the lines. Perhaps he is not a *natural portraitist, inhibited* by the strict disciplines of observation, happiest with the free subjective paraphrase of his subject. Whichever it is, these paintings, even the best (which tend to be the earlier ones) seen all *together, come as something of* a shock.

His drawing can be very bad. He has awful trouble composing the extremities of his victims. Maugham's feet were never right, and he had similar trouble many years later with Lord Rayne. He has said he uses photographs occasionally as guides to proportion. The camera, however, is notoriously unreliable in precisely this respect, as these paintings show *to Sutherland's disadvantage*. His later attempts to get over the problem by following the example of the Cheshire Cat, can only be seen as desperate and transparent evasions. Hands give him trouble too, and there are many fudged examples from first to last, from Maugham, Rubenstein and Sackville-West to Plesch, Adenauer and Schlumberger, this last the latest and most sketchy of all the large works. There are other faults: he is a poor colourist in this aspect of his work, at best merely dull, at worst crude and insensitive; and the shallow space his sitters *occupy* is left too often arbitrarily vague and unrealised.

But he is much exercised by the problem of likeness, and indeed the superficial likenesses, so far as we can tell, are con*vincing. Likeness, however, is* not everything, and should take care of itself in any case, what with all the careful transcription and visible grids, once the determining study is chosen, and the pose fixed. Rather, it is the quality of the paintings as paintings that is so worrying, and the gap that has opened up between his portraiture and his other work. For with the best of his work from nature the image is taken beyond the particular into the realm of general symbol. With his people this seems not to happen, and there is no compensating brilliance and intensity in their scrutiny.

Sutherland is at pains to point out that he is seeking neither to flatter nor denigrate his subjects, though he admits that sometimes they are shocked by his image of them. He describes in a memorable phrase that moment of truth, when "there is a quilted atmosphere of silence as when it snows." That quilted atmosphere, however, may have less to do with personalities than with the natural surprise, which we share in these galleries, of someone confronted, from the hand of an important and respected artist, by so much bad painting.

EEC fails to reach lorry rules agreement

By David Buchan

LUXEMBOURG, June 29.

THE EEC Transport Council meeting ended here to-day in sharp disagreement over the main item of work rules for lorry and commercial vehicle drivers. French objections "in principle" prevented a package agreement, after the French Transport Minister had called the bid by Britain and Ireland to delay application of the rules for a farther four years, another attempt at "re-negotiation." The rules are already in force in the seven other member states.

French officials said that, as on the issue of fish, Britain and Ireland were blatantly re-negotiating the terms of their accession treaty.

Since 1973 both the U.K. and Ireland have been allowed to largely ignore these rules, which include maximum working hours, set rest periods and so on for lorry drivers. But the "derogation" granted them by the EEC Commission runs out at the end of this year.

What Britain and Ireland want is to be allowed to phase in the rules gradually up to the end of 1981. But France is claiming that no period of grace was allowed the original six members and that none should be allowed the new members.

Hanging on the outcome of the dispute over the grace period is agreement, painfully reached in the past two days, on changes in the work rules themselves. By and large these changes make the rules more acceptable to the U.K. and Ireland. They include the abolition of the two-driver rule for all journeys over 450 kms. for lorries fitted with tachographs, the total exemption from the rules for mini-buses with less than 15 seats and semi-agricultural vehicles such as milk lorries, and the exemption from the necessity of carrying tachographs for all local traffic with a range of no more than 50 kms.

Mr. William Rodgers, the U.K. Secretary of State who took the Council chair, said that agreement on changes in the rules only depended on a settlement of the dispute about the grace period. There are to be further consultations to try to persuade the French to remove their objections.

Saudi assurance

Crown Prince Fahd of Saudi Arabia has again said that his country has no intention of imposing an oil embargo to force a settlement of the Middle East conflict, Ihsan Hijazi writes from Beirut. He urged the Arab states to trust President Carter "because he is sincerely working for a just solution" of the Arab-Israeli dilemma.

W. German weakness in demand retards economic recovery

BY ADRIAN DICKS

BONN, June 29.

THE WEST German Government conceded to-day that the pace of economic recovery had slackened once again during the first few months of this year, with scarcely any more than the seasonally normal improvement in the labour market.

In a memorandum for the preparatory meeting for next week's concerted action conference with employers and union leaders, the Ministry of Economics said there appeared to be continuing weakness in demand, in spite of some recovery since the beginning of the year. The upswing in the economy had, however, been subject to greater fluctuations than had been the case during earlier business cycles, the Ministry continued, adding that this seemed to be the result of increasingly important structural factors and of the widely varying performance of different sectors of industry.

The memorandum confirms once more that the continuing confusion caused by the changed basis of calculating several key indicators has left the Government as much in the dark as anyone else. But the Ministry writes that it is convinced that industrial production and new orders from abroad are both well up at the beginning of this year.

As already reported by the Bundesbank, real gross national product rose by 4 per cent. during the first quarter, compared with 6 per cent. during the last quarter of 1976, while the rate of capacity use in industry slipped from 83.5 per cent. to 83 per cent. Imports and exports each increased by 5 per cent. in real terms, the Ministry reports.

Wages, calculated on an hourly basis, rose 7 per cent. in the first four months, compared with 5.5 per cent. a year earlier. Prices at the end of May stood 3.8 per cent. above the 1976 level, and the Ministry describes the predominant trend here as quiet.

Competition Bill promise

BY JONATHAN CARR

BONN, June 29.

THE WEST German Economics Ministry announced to-day that it will produce a draft bill this autumn aimed at strengthening competition policy.

State Secretary Otto Schlecht said the Bill, which would amend the 1973 Competition Act, would go before the Cabinet around the turn of the year.

It is unclear when it would become law — in particular because, on the basis of the details so far known, the Bill may not prove strong enough to satisfy the Social Democrat group in the Bundestag.

Herr Schlecht was speaking after a meeting of the Cabinet which approved a report from the Economics Ministry on sweeping proposals made last year by the Monopoly Commission, an independent advisory body. The report goes some way to meeting several of the commission's suggestions—but rejects the more radical ones and notes that others are under scrutiny by experts elsewhere.

It notes that banks should not generally hold more than 5 per cent. of the equity of a company.

The Economics Ministry says it accepts the commission's motto that "more competition is possible." But it does not feel the time is ripe to bring in powers to break up large monopolies. It does not share the commission's view of the acquisition policy of Veba (in which the Government has a large stake)—although it notes that a market research report ordered following the Veba-Gelsenberg merger is due at the end of the year. On banking structure, it points out that the Finance Ministry is producing a report next spring. It, therefore, prefers to wait until then before saying anything definite.

The Economics Ministry does agree that merger control should be somewhat extended. For example it feels control should cover the acquisition of enterprises with an annual turnover of DM2m.-DM50m.—if the purchaser has an annual turnover of more than DM1bn.

Worker participation law challenged

By Our Own Correspondent

BONN, June 29.

A LAST-minute legal challenge to West Germany's new worker participation legislation was launched to-day by a group of leading industrial companies and employers' associations.

The group has filed a suit before the Federal Constitutional Court in Karlsruhe, complaining that the law threatens the constitutionally-guaranteed freedom of property ownership, and also the constitutional provisions governing the independence of the two sides of industry in wage bargaining.

Commission likely to back U.K. herring ban

By Robin Reeves

BRUSSELS, June 29.

THE SIGNS are that the U.K. Government will shortly have the full weight of EEC legal authority behind its unilateral ban on herring fishing in the British 200-mile sector of the North Sea.

The Brussels Commission was officially informed this afternoon of the Government's decision to extend, unilaterally, the ban which has been in force as an EEC-agreed measure across most of the North Sea for the past three months.

Commission officials said they would have to examine the U.K. regulation in detail, but they assumed it would be fully in line with the proposal for a continued EEC ban put forward by the Commission itself at the abortive Council of Fisheries Ministers earlier this week in Luxembourg.

Since the U.K.'s ban is open-ended, it allows the possibility for it to become an EEC-agreed conservation measure, once the present row has blown over and the other countries bow to the inevitable. In these circumstances, officials are expecting the Commission to give its formal blessing to the British action within a matter of days.

The Government is acting in accordance with the terms of the agreement reached by EEC Foreign Ministers in The Hague in October. This was effectively an agreement among the Nine setting the rules of the game for renegotiating the EEC's Common Fisheries' Policy, made essential by the general move to 200-mile fishing limits from January 1 this year.

What has emerged as a key provision in The Hague agreement was an annex stating that, in the absence of a Community policy, member Governments retained the right to take unilateral action to conserve stocks, providing any such unilateral measures did not discriminate between EEC fishermen from all the member states.

It further states that any member Government introducing national conservation measures should seek the approval of the Commission. But this was sufficiently mild to ensure that the withholding of approval does not automatically render a particular unilateral action illegal, or mean that it is necessarily discriminatory.

The ultimate arbiter in disputes over the interpretation of EEC rules and regulations is, of course, the European Court of Justice in Luxembourg. But it is impossible to find a lawyer or expert in Brussels who thinks the Danish, German or Dutch Governments would get anything but short shrift if they chose to challenge the U.K. herring ban before the Luxembourg court.

EUROPE'S RIVALRY FOR JET

Passport to the nuclear big leagu

BY DAVID FISHLOCK, SCIENCE EDITOR

SCHEMES to explore the frontiers of science rarely find their way into the headlines to the extent that JET, the proposed Joint European Torus, has done in the past two years. But JET is a scheme about which European politicians right up to Prime Ministers learned to speak freely—if not always knowledgeably—as they squabble about who was best qualified to be its host. Mr. James Callaghan, a staunch supporter of JET, is said to be making a personal plea to Dr. Helmut Schmidt, the West German Chancellor, not to contest Britain's claim to JET.

Contrary to the impressions often given, JET is not a nuclear power plant of a novel and benign kind, merely a scientific test rig, a "device" as the scientists are wont to call it. This device is expected to cost a cool £120m. at to-day's prices. For this money the EEC may or may not succeed in buying a demonstration of thermonuclear fusion—a controlled H-bomb reaction—involving conditions which it may be possible to adapt to an electricity generating station.

The reason why the JET device is expected to be so expensive is that the physical processes involved in simulating solar conditions, as a thermonuclear reactor would aim to do, cannot be set up on a small scale. The experiment itself must approach the size of a working reactor if it is to reproduce the awesome temperatures and pressures required.

JET is one of several thermonuclear devices proposed by plasma physicists around the world as the necessary next stage of research to follow the laboratory rigs costing up to £1m. or so, operating to-day. American scientists are already building their Toroidal Fusion Test Reactor (TFTR) at Princeton. The Japanese have their JT60 and the Russians their T-20 devices, both awaiting government approval. Each of these devices is expected to cost about £120m. Together they form a world effort which, by the mid-1980s, could take science significantly closer to the design of a thermonuclear or fusion reactor. Some time in the next century the world may even have such a reactor operating.

Why should we want such a reactor? One thing is clear from the cost and complexity of the four devices, which are not even experimental, much less prototype reactors. Even by nuclear standards the capital cost of harnessing fusion is going to be very high. Fusion energy will never be cheap. Neither will it be free from radio-active hazard. As a recent WHO report on the health implications of nuclear power points out, such plants at the end of their lives will produce large volumes of solid radio-active waste requiring storage or safe disposal for generations. Moreover, some release of radio-activity, mostly as tritium, from fusion reactors while operating "appears inevitable."

The lure of fusion is that it could provide a new energy source from materials—tritium and lithium—not at present used as fuel. Tritium, an isotope of hydrogen, does not occur in nature and will have to be created in the (fortunately small) amounts required. Lithium, required in much larger amounts, is not inexhaustible; but Professor David Rose, a leading U.S. fusion physicist, estimates that the earth's reserves could last 30,000 years. Fusion energy could therefore stabilise world energy prices but at some distant date, probably well into the next century.

The main case for JET is that it will be Europe's passport to a worldwide community of fusion physicists trying to harness these new fuels. Once JET was seen as the most advanced and ambitious of the four devices. But with the Princeton one already under construction this can no longer be claimed confidently. JET, however, is still the centre piece of the EEC's five-year fusion research programme to 1980.

JET was designed in 1974-75 by an international team headed by a Frenchman, Dr. Paul Rebut, working at the Culham Laboratory near Oxford. Technically, the physicists agree that its concept stretches present-day engineering to the limit in some crucial respects.

It is essentially a giant electromagnet, fashioned in the shape of a torus or ring doughnut, 20 feet across. This is designed to act as a "bottle" to contain electrified gas at extremely high temperatures and pressures. The writhing mass of gas ("plasma") will strain ceaselessly to escape from its bottle. But because of its electric charge it will be restrained by the powerful magnetic forces.

Some idea of the scale of this experiment can be gained from the facts that JET's magnet will call for the biggest coils ever wound for an electrical machine, wrapped around a core of about 1,500 tonnes of steel. The doughnut-shaped pressure vessel containing the plasma will weigh 80 tonnes. The experiment will need an input of electricity of up to 230MW.

The scientists believe that if this ambitious machine is to be a success it must be built by a team well versed in the idiosyncrasies of fusion experiments. This is the nub of the squabbling among Europe's political leaders over the past 18 months.

Initially the EEC, which is putting up 80 per cent. of the cash, wanted JET to go to its main research centre at Ispra in Northern Italy. The Italians were delighted and for a time refused to discuss the claims of other possible sites. But Ispra has no experience of fusion and a patchy scientific record generally—British, French and German scientists and politicians strongly opposed the choice.

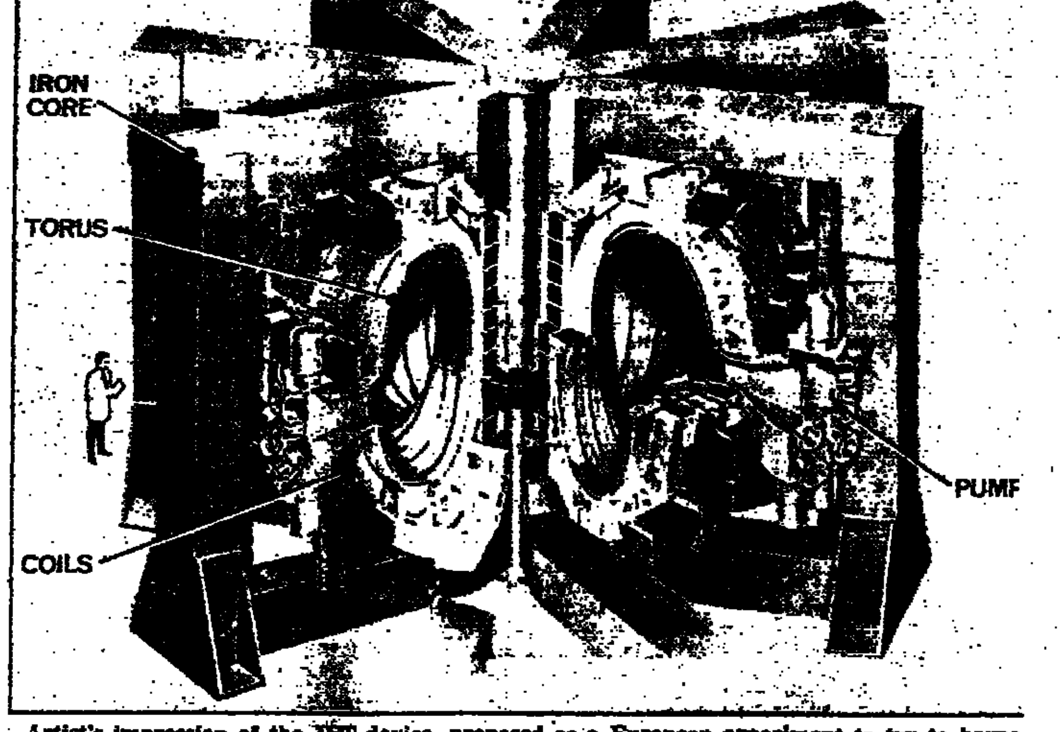
Unfortunately, the "big three" in EEC fusion physics still could not agree which centre had the best claim. Britain had no doubt that Culham, the fusion centre built by Dr. John Adams—Europe's most successful project-engineer for the tools of "big science"—was the best place to put it. But the West Germans presented the claims of Garching, another first-class fusion centre, while the French, after proposing a new site in the south, began to lobby for JET to go to CERN, the European Organisation for Nuclear Research, that straddles the Franco border near Geneva.

CERN has no experien nuclear fusion but it does an outstanding record of bu the biggest instruments us science—accelerators or "smashers." What is more, Dr. John Adams, who has a great success of bu CERN's latest accelerator in the scheduled time, wit budget agreed in 1971, moreover, to a performance be than was then specified.

A light comes into Dr. Ada eyes when one mentions JET. 56 he is still good for anot major project to manage. He adamant that he is not look for another job—and in a event the new CERN accelerat although operating "full-blas will not be completed until 19 Neither would he venture outsi his experience, say to mana construction of a nuclear pow station. But JET would clea be a very tempting propositio

Dr. Adams is probably the on "outsider" Europe's fusi physicists would accept to ma age JET. His track record, fro the first atom-smasher at Harw after the war, is unrivalled providing "big science" wi first-class tools. But there a two formidable political hurdl to be overcome. One is that, Controller of Research at tl Ministry of Technology, und Mr. Anthony Wedgwood Benn the late 1960s, Dr. Adams four himself seriously at odds wi the Labour Government. Secretary for Energy now, M Wedgwood Benn would responsible for Britain's partic pation in the JET project.

The other obstacle is still mo ironic. EEC protocol decre that such a project cannot l headed by someone from tl host nation. In short, Euroj can recruit the best man for tl job only if Britain is willing sacrifice its claim and allow JE to be built at Garching—CERN.



Artist's impression of the JET device, proposed as a European experiment to try to harne a new source of energy, thermonuclear fusion. The idea is to sustain conditions close t those within the sun inside a doughnut-shaped pressure vessel called the torus. Surroundin the 20-ft. torus would be powerful magnetic fields compressing the hot electrified gas—"plasma"—it contained, to prevent it from melting the walls of the vessel.

HOW THE CASH WILL BE SPENT

	(1977 prices) (£m.)
The JET device	25.1
Power supplies	19.5
Buildings	14.0
Auxiliary systems (pumping, heating, cooling, etc.)	7.9
Operating budget	7.7
Instrumentation (including computers)	6.0
Manpower (1,398 man-years)	30.0
Contingencies	9.8
TOTAL	£120

Rebel prelate ordains priests

BY PAUL BETTS

ROME, June 29.

THE REBEL French prelate, Monsig. Marcel Lefebvre, to-day made his most provocative challenge against the authority of the Pope when he ordained 14 priests and 22 sub-deacons at the traditionalist seminary of Econe, Switzerland, awash with tourists and campers for the occasion.

The ceremony is expected to bring closer the excommunication of Monsig. Lefebvre. At least, that is the theory, but the Pope has shown a degree of patience and compassion towards the traditionalist archbishop which suggests that he is hesitating before taking such a drastic measure.

The last imposition of the supreme punishment of the Catholic Church occurred in the last 1940s when Pius XII excommunicated all Catholic followers of Marxist and Communist ideologies.

To-day Vatican Radio reported with dismay the ordinations at Econe. It suggested that, by his act of disobedience, Monsig. Lefebvre was effectively "excommunicating himself." And it is now widely regarded that this is what the Pope wants, for a formal excommunication would imply a schism.

It would also involve a lengthy process. Short of the Pope's personal intervention, the Lefebvre affair would have to be referred to the Episcopal Council, the body in charge of episcopal discipline. But the council has no power to excommunicate. The matter would then have to be referred to the Sant'Uffizio, or supreme (but much watered down of late) authority of the Church.

The Pope seems intent on closely following the canonical procedure towards Monsig. Lefebvre. This has so far involved a formal denunciation of the archbishop's "disobedience," then reprimands and admonitions culminating in the *A divinis* ban forbidding him from carrying out his priestly functions. There followed a meeting between the Pope and the archbishop.

The Pope has also appealed to the archbishop's followers, warning them against joining the rebellion.

For his part, Monsig. Lefebvre has flouted the Pope's repeated exhortations to step back in line. Early this month, he gave a new conference in a lavish reception given in his honour by Princess Elvina Pallavicini, a member of the papal nobility. On Sunday, he ordained a priest near Dijon. Last year he held a mass in a football stadium at Lille, France.

The irony in Monsig. Lefebvre's rebellion is that its real motives are not widely understood by the majority of Catholics.

It is not so much what many Catholics call nostalgically the "old Mass" in Latin which is at issue. It is his refusal to accept the reforms stemming from the second Vatican Council, the conclave inspired by Pope John XXIII. The reforms, designed to deal with the problems of the modern world, included some of a dogmatic nature.

Monsig. Lefebvre, a former head of the Holy Ghost missionary order, has dealt a severe blow to the Pope's authority. The Pope declared this week that Monsig. Lefebvre could cast a "dark shadow" over the unity of the Catholic Church. By delaying excommunication, and seemingly attempting to avoid a final break, the Pope's deep concern appears evident.

Suarez finalises Cabinet

BY OUR OWN CORRESPONDENT

MADRID, June 29.

PRIME MINISTER Adolfo Suarez remained in his Moncloa Palace to-day studying the formation of his new Government after announcing last night that it will consist entirely of members of his winning Democratic Centre Union and be centre-left in its political line.

While Sr. Suarez put the final touches to his list of Ministers, which he has virtually completed according to an informed source, King Juan Carlos met Sr. Josef Tarradellas, the exiled President of the Generalitat, the Catalan autonomous government, in his nearby Zarzuela Palace. Sr. Tarradellas (78) saw the king for 45 minutes and discussed the re-establishment of the Generalitat, which was suppressed by General Franco in 1939.

Sr. Tarradellas has already seen Sr. Suarez and last night spoke with Sr. Rodolfo Martin Villa, the Interior Minister, for an hour. The Minister told him that the new parliament would deal with the autonomy issue.

Sr. Tarradellas, making his first trip to Spain since he fled into exile in 1939, is a convinced Republic but said that his meeting with the King represented among other things recognition on his part of the monarchy.

With the formation of a party yesterday out of the coalition of twelve parties in the democratic centre, Sr. Suarez is devoting his energy now to the new eGovernment. It is likely that most, of not all, of the six Ministers of the old Government — appointed Senators by the King — will be included in the new cabinet. These include Sr. Marcelino Oreja, the Foreign Minister.

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Cambodia air pact

Cambodia and Laos have signed an agreement to open air links between them, Reuter reports from Bangkok. No details of the accord are available, but it is expected to result in the first direct flights between Vientiane and Phnom Penh since the Communist takeover in Indochina two years ago. Phnom Penh has air links only with Peking and Hanoi.

Irish union leader rejects pay deal plan

Financial Times Reporter

THE HEAD of Ireland's bigge trade union yesterday reject in advance a pay deal plan fro Dublin's incoming Fianna Fa Government. Mr. John Carro head of the Transport an General Workers, told the Iri Congress of Trade Unions Limerick that they could n and should not commit the selves to the scheme.

The Fianna Fail bargain, ou lined in their recent successf general election campaign, wou restrict pay increases to 5 p cent. for each of the next thr years in return for tax cuts a a £260m. jobs creation plan.

Mr. Carroll said a three-ye commitment was too long bu significantly, he stressed he w not opposed to voluntary p restraint.

Our Dublin Corresponde adds: A member of the Iri Government's legal team wh accused a colleague of betrayi details of the Northern Irelan torture case to the then Briti Attorney-General, Sir Pet Rowlandson, has been ordered pay substantial damages to sett a slander action.

Mr. Charles Lysaght, barrister on the Irish team whi the European Human Righ Commission in Strasbourg w hearing a case brought by th Irish Government against Britai over the alleged ill-treatment detainees in Northern Irelan brought the slander action in th Dublin High Court yesterda against another barrister on th case, Mr. Aidan Browne.

EUROPEAN NEWS

Tentative accord by Italian parties

By Our Own Correspondent

ROME, June 29.

AFTER LENGTHY talks stretching into the early hours of this morning, Italy's political parties reached a measure of agreement over the formulation of a joint government programme which has taken nearly four months of complex negotiations.

In a joint communique, the six parties said that the proposed agreement would now be examined by the individual parties for approval and that a further meeting of party secretaries was scheduled early next week.

The decision to hold further talks is an indication that there are still divergencies and uncertainties over the agreement. The communique, in effect, said last night that eventual approval of the agreement by the respective parties would still leave open a number of unresolved issues like police union membership, local authority finances, education and health reforms, and reduction of labour costs.

The small Italian Liberal Party is still showing reluctance, while the Republicans have asserted their willingness to sign the accord, maintaining however their reservations on the economic part of the programme.

There is also the further problem of how to enforce the agreement once reached.

While the all-party agreement still seems rife with misgivings, yesterday's meeting was significant in that it showed that the opposition forces, currently maintaining Sig. Giulio Andreotti's minority Christian Democrat Government in office through indirect support are in no mood to bring about a government crisis.

Although Sig. Enrico Berlinguer, the Communist secretary, still insists on the need for a new majority and a government of "national unity" including the Communists, he stressed last night that owing to the country's current situation such a change might entail a dangerous government crisis with unforeseeable consequences.

In political terms, last night's summit was a major political event with the Communists, now controlling one vote in every three of the electorate, sitting for the first time in 30 years with the Christian Democrats around the same negotiating table.

OECD forecasts higher growth for Belgium

BY ROBERT MAUTHNER

PARIS, June 29.

BELGIUM'S ECONOMIC growth is expected to be slightly higher this year than in 1976 and its inflation will be further reduced, according to the latest report on the Belgian economy published by the Organisation for Economic Co-operation and Development secretariat. But the OECD expects little progress in bringing down unemployment or raising the depressed level of investments.

For 1977 as a whole, Belgian GNP should rise 2.9 per cent. by volume, compared with 2.3 per cent. last year. Industrial output is expected to increase by 4-5 per cent. and consumer prices are forecast to raise by 8 per cent., as against more than 9 per cent. last year.

Serious concern, however, is expressed by the OECD about Belgian unemployment which, at 5.7 per cent. of the labour force in 1976, is now one of the highest of all the member countries. The best that can be expected in 1977 is that it will level off and there are no signs that the efforts made by the authorities will bring it down.

The OECD secretariat suggests that much more drastic solutions will be needed. Public aid to investment could be channelled more systematically into the creation of new jobs and the authorities should consider the implementation of shorter working hours, and the lowering of the retirement age.

The investment picture is almost equally disquieting. Though public investment might grow by 7.5 per cent. in volume in 1977 (much less than the official Belgian forecast of 11.5 per cent.), the outlook for private non-residential investment is still bleak.

Government measures to support private investment, such as tax reliefs and accelerated depreciation, are unlikely to produce an upturn while the general business climate remains depressed. As a result, and because of the time it takes for investment decisions to be implemented, private industrial investment is expected to grow by no more than 1.5 per cent. this year, which would mean that investment would still be well below the 1974 level.

The OECD is also worried over the size of the public finance deficit which, the report says, has become increasingly serious in the past few years. The secretariat estimates that the Public Sector Borrowing Requirement in 1976 was equivalent to about 7 per cent. of GNP, compared with only 2.3 per cent. in 1970. Interest payments on loans to finance the deficit alone amounted to nearly 4 per cent. of GNP last year.

Though cyclical factors were partly responsible for the sharp rise in PSBR, the growth of current spending, which rose from about 33 per cent. of GNP in 1970 to nearly 44 per cent. in 1976, was out of proportion to the increase in unemployment and other social benefits, the report says. In the longer run, both an increase in taxes and stricter control of public expenditure will be unavoidable.

On the other hand, the OECD secretariat does not consider the deterioration of Belgium's Current Account to be a serious matter. The past few years had produced large surpluses and the country's external indebtedness was very low. From an international point of view the change to a deficit position of a country structurally in surplus allowed countries with large deficits to improve their position.

Since the balance of payments is much less of a constraint in Belgium than in other member countries and, given the downward trend of prices, the OECD considers that Belgium should soon be considering more expansionary policies.

Loan gives Lisbon brief respite

BY DIANA SMITH

LISBON, June 29.

THE $750m. loan promised recently by 11 countries will briefly attenuate the crisis in Portugal's balance of payments. However, Sr. Henrique Medina Carreira, Minister of Finance, made it abundantly clear on national television last night that the underlying, grave problems of Portuguese finances were far from resolved.

"The country must not delude itself," Sr. Medina Carreira said. "Foreign aid must be seen as a by-product of an overall strategy for recovery which progressively reduces our dependence abroad. Foreign aid must not be an anaesthetic, while the Portuguese consume excessively—it must be part of the therapy for our recovery."

The Finance Minister stressed that Portugal was forced to resort to foreign loans because of the "very delicate foreign exchange situation" and balance of payments deficit ($1.2bn. at the beginning of this year).

Since 1973, the balance of payments has deteriorated (originally, because of rising oil and material prices). The situation has been critical for the past two years because of loss of tourism, a vertical rise in demand for consumer goods (due to rising wages in 1975 and the influx of hundreds of thousands of refugees from the former African colonies, or emigrants suffering from the collapse of the West European boom) and a dangerous drop in agricultural and industrial production.

It appears that until Portuguese agriculture and industry can be put on their feet, and the latter geared more intensively to export, foreign borrowing must continue.

The $750m. loan (to which the U.S. will contribute $300m., West Germany $250m. and England, France, Norway, Switzerland, Italy, Sweden, Holland, Japan and Venezuela the remaining $200m.) is to be applied over the next 18 months.

Since it is not enough to cure the ailments of the balance of payments further loans will have to be negotiated, including a $50m. tranche from the IMF and $1.5bn. from other countries — not only to correct the balance of payments but also to re-launch the economy.

Thai bomb

A timebomb exploded on the platform of a railway station in Southern Thailand yesterday, wounding 20 people, UPI writes from Bangkok. The incident, at Haad Yai 700 miles south of Bangkok, came five days after a bomb explosion at Bangkok's Don Muang International Airport, wounding four people. A Moslem splinter group later claimed responsibility for the airport blast.

AMERICAN NEWS

Critical TV broadcast by Brazil opposition

A no-holds barred television broadcast, in which Brazilian opposition leaders attacked the military Government's special powers and praised President Carter's human rights campaign, has been put on the air throughout Brazil despite the threat of legal sanctions, writes David White in Rio de Janeiro.

The hour-long broadcast was the first such outlet for the Brazilian Democratic Movement (MDB), the Congressional opposition, since election campaigns in 1974. Radio and television in Brazil are strictly censored.

Observers here believe that the radically critical tone of the broadcast may risk exacerbating the division between moderate and extreme Right-wing forces in the Government's military and civilian ranks.

Kissinger blasts Third World

Dr. Henry Kissinger, the former U.S. Secretary of State, yesterday said the "stale rhetoric of confrontation" of developing nations has blocked talks between rich and poor countries, Reuter reports from Washington. Third World countries should not overestimate their ability to manipulate raw material prices to their own advantage, he said.

"The so-called North-South dialogue between rich and poor nations has clearly failed so far and it is plain enough that if it deteriorates to a level of confrontation and conflict the gulf between the rich and poor will widen ominously."

Guatemalan accusation

Guatemala yesterday accused Britain of instigating the seizure in Barbados at the week-end of a planeload of ammunition destined for the Guatemalan armed forces, Reuter reports from Guatemala City. The 26-ton cargo of 556 calibre ammunition was impounded in Barbados while heading for the Central American country on a chartered Argentinian aircraft. A Guatemalan Government spokesman described the action as "a clear British provocation by way of its colony, Barbados," and said that it showed that Britain had no intention of peacefully settling its dispute with Guatemala over the future of the Caribbean territory of Belize.

F-14s crash

Two F-14 Tomcat fighter aircraft have crashed while on separate training missions but all four men aboard parachuted to safety, the U.S. Navy said in Washington, Reuter reports. A spokesman said that one of the $19.2m. fighters crashed onto the grounds of Miramar Naval Air Station north of San Diego. The other plunged into the sea later in the afternoon 86 miles southwest of San Diego.

Fall in U.S. indicators sure to renew fears for growth

BY JUREK MARTIN, U.S. EDITOR

WASHINGTON, June 29.

THE U.S. index of leading economic indicators, which points to future trends in the economy, fell by 0.2 per cent. last month.

The technical reason for the decline was the sharp contraction in the money supply, as the Federal Reserve acted to correct what it perceived as over-expansion earlier in the spring.

Moreover, this is but one monthly fall while most economists agree that for a real trend to be evident the measurement should show three consecutive months of ups or downs.

Since the recession ended in the spring of 1975, the index has only declined three times on a monthly basis—most recently in January, when cold weather curbed economic activity. Since then it has advanced steadily, recording a 0.5 per cent. increase in April.

Nevertheless, the fact that the index fell in May is bound to renew persistent doubts that the economy may slip into the same sort of "pause" that befell it last autumn.

Almost all the other indices of economic activity have been showing quite strongly in recent months, enough certainly to justify the Administration's contention that although real growth in the second half of the year will be more moderate than in the first six months, it will nonetheless be adequate.

Even to-day's statistics provided some comfort for the Administration, since two other indices, measuring concurrent and lagging economic factors, both rose more strongly in May than they had in April.

But the stock market reflected the general sense of slight unease when it slipped back over three points in early trading this morning on news of the fall in the leading indicators.

Critics of the Fed's more conservative monetary posture were quick to seize on this morning's announcement. Congressman Henry Reuss, the Wisconsin Democrat who chairs the House of Representatives Banking Committee, caustically observed that the "not so merry month of May" was the product of the Fed's "stop and go monetary policy which has caused so much trouble over recent years."

Blumenthal urges export drive

BY OUR OWN CORRESPONDENT

WASHINGTON, June 29.

MR. MICHAEL BLUMENTHAL, the Treasury Secretary, has stepped into the burgeoning debate over the U.S. trade deficit by stating that the U.S. must be "very alert and as aggressive as possible" in looking for opportunities to push sales overseas.

"The point I want to make," he said in an interview with the Wall Street Journal, "is that there is no belittling the fact that a $25bn. trade deficit is too large, and is something that has to be carefully watched and reduced."

Until now, Mr. Blumenthal and other senior government officials have contended that the trade deficit is manageable, and is a prime U.S. contribution to the international need to recycle the financial surpluses which members of the Organisation of Petroleum Exporting Countries hold. West Germany, Japan, Switzerland and the Netherlands have been exhorted by the U.S. to undertake similar burdens.

The U.S. has argued that the current account deficit is what really matters as far as the management of U.S. payments is concerned. Because this country earns a sizeable surplus on invisibles — through foreign military sales and credits, and through foreign investment in the U.S. — the projected $25bn. trade shortfall is reduced to an estimated $10bn. deficit on the current account ledger.

Mr. Blumenthal suggested that this deficit could run as high as $12bn. He made the point that the combined surpluses for this year of Germany, Japan, Switzerland and the Netherlands would be about the same sum.

But there have been growing criticisms here of this position in recent weeks. A senior Commerce Department official has warned that the trade deficit could get out of hand. Yesterday, Mr. Henry Wallich, a governor of the Federal Reserve Bank, said in a speech in Montreal that even a $10bn. current account deficit could have negative as well as positive effects on the global economy.

On Monday, the U.S. announced a sharply reduced trade deficit for May of $1.22bn. But the cumulative deficit for the first five months of this year is approaching $10bn., and the Administration has yet to withdraw its previous estimates that, for the full calendar year, the deficit could well come close to $25bn.

Mr. Blumenthal was clearly moved to counter any feeling that complacency over the magnitude of the trade deficit could weaken the dollar. He was also at pains to list the special factors which were inducing so substantial a shortfall in 1977—including the volume of oil imports (worth some $45bn. this year and possibly more next year), and the fact that the U.S. economy has been out-performing most of the rest of the industrialised world.

But he did concede in the interview that perhaps the Treasury had been remiss in not underlining the necessity of reducing the deficit.

He did not mention in the interview that another worrying consequence of a high trade deficit is the possibility that it will unleash protectionist sentiment in Congress, though this fear has been expressed privately by other Administration officials.

Balanced budget goal

WASHINGTON, June 29.

PRESIDENT CARTER remains committed to a balanced budget by 1981 despite projected deficits of $48bn. for fiscal 1977, and up to $65bn. for 1978, according to Budget Director Bert Lance.

Mr. Lance said that the bigger 1978 deficit will be due to Congress increasing the tax cut that Mr. Carter sought and passing a new jobs tax credit that he did not want.

In an interview Mr. Lance said that Mr. Carter's proposed $50 rebate for every American was intended for 1977 only and its demise lowered the 1977 deficit but not the 1978 deficit.

After February revisions of the Ford budget, the Office of Management and Budget estimated deficits of $68bn. in 1977 and $58bn. in 1978, moving steadily towards a balanced budget by the end of Mr. Carter's first term. But cancellation of the rebate and an unexpected increase in revenue reduced the estimated deficit for 1977 by about $20bn.

UPI

OVERSEAS NEWS

S. African opposition party born amid rifts

By Bernard Simon

JOHANNESBURG, June 29.

THE NEW South African opposition party, to be known as the New Republic Party, formed at a special congress here to-day, was born amid the same widespread dissension among opponents of the government which led to the downfall of its 43-year-old predecessor, the United Party.

After the dissolution of the UP yesterday, six UP members of parliament, including the veteran foreign affairs spokesman Mr. Japie Basson, announced that they were not prepared to support the New Republic Party. A joint statement issued last night by Mr. Basson and the leader of the Progressive Reform Party, Mr. Colin Eglin, said that a committee will be appointed soon to negotiate a merger between the PRP and the breakaway UP group, with the aim of forming a "unified, verligte (enlightened) opposition."

Should the six MPs join the Progressives the latter will be able to muster 18 votes in the House of Assembly, just six short of the number of MPs loyal to the New Republic Party which will, for the time being, be the main opposition group in parliament.

Iran pursues cuts in labour costs

By Robert Graham

TEHRAN, June 29.

THE IRANIAN Government is in the process of a major reappraisal of its policy towards labour in an effort to curb spiralling wage costs and improve industrial productivity.

The most important change so far is a decision to limit end-of-year bonuses — in the past often equivalent to 100 days' extra pay — to those companies which are making profits.

Over the past three years it has been a policy of the Ministry of Labour to ensure that companies pay "profit-sharing" bonuses, even if they were running at a loss.

The policy was such that loss-making companies, especially those in the first phase of industrial operations, were obliged by the Ministry of Labour to pay these bonuses. Further, the Ministry, according to employers consulted by the Financial Times, did little to stop strikes and go-slows used by the work force to press claims for higher bonuses.

The first hint of a change of policy came two weeks ago when the Shah announced that workers could no longer expect as of right to be paid profits when companies were losing money. Now, the Minister of Labour, Mr. Manuchehr Azmun, has just stated, "balance-sheet and profit and loss accounts will be carefully scrutinised to make profit-sharing mandatory when a profit has been made. But obviously there will be no profit-sharing where no profits have been made."

For the Government to have made such a volte-face indicates the degree of concern felt at the deteriorating level of productivity and high production costs.

The main demand for higher wages stems from the acute housing shortage and high rents. An industrial worker earning Rials 30,000 per month (£245) has to spend Rs.20,000 (£163) on housing. It would be surprising if the industrial work-force does not become more militant.

Rhodesia accuses Mozambique of border incursions

BY TONY HAWKINS

SALISBURY, June 29.

WHILE ACCUSING Rhodesia at the UN of aggression, Mozambique was "cynically continuing" with its incursions into Rhodesian territory, a Government spokesman claimed here to-day. Commenting on the Security Council allegation against Rhodesia by Mozambique, he said there had been 102 reported violations of Rhodesian territory by Frelimo soldiers this year.

"Armed robbery, looting of stores, the theft of vehicles and cattle are common occurrences. Often Mozambique troops come across in search of food," he said. More serious were attacks on Rhodesian civilians, including such incidents as the rocket and mortar attack on Umtali. Rhodesia could not afford to allow this to continue.

Mozambique had been expected to make extreme allegations against Rhodesia but it had not been anticipated they would be "quite so ridiculous," the spokesman said. (Rhodesia has been accused of killing more than 1,400 people including 1,000 Rhodesian refugees, levelling four towns, destroying factories, schools and hospitals and using tanks, artillery and other heavy equipment—Rhodesia does not possess any tanks.)

Meanwhile, the Rhodesian Minister of Foreign Affairs, Mr. Pieter Van Der Byl, who has been adopting an increasingly hardline attitude in recent speeches, has warned of a *developing backlash* against settlement proposals from Britain and the U.S.

As Rhodesia moved towards a settlement, so Britain and the U.S. hardened their stance, he said, citing the reimposition of the chrome ban and the steps being taken to close Rhodesian information offices in the U.S. and Australia. The Minister said Rhodesia was being condemned at the UN for aggression while both the U.S. and Britain had refused to send observers to see what was really happening in border areas. As a result the Security Council was hearing "every kind of absurd allegation" against Rhodesia.

Mr. Van Der Byl's backlash warning needs to be taken seriously in light of the claims of the 12 Rhodesian Front rebels that they are gathering considerable support from the white electorate. It is almost impossible in a country where there are no opinion polls to assess the strength of the right-wingers, but there can be no gainsaying the growing bitterness of whites here at what they see as the cynical indifference of the West to events in this country.

The willingness of Britain and the U.S. to believe even the most absurdly exaggerated claims against Rhodesia from Zambia, Mozambique and Botswana is convincing a growing number of whites that the terms of the British settlement plan will be framed with the aim of securing the agreement of the frontline states and the Patriotic Front regardless of black and white opinion within Rhodesia.

In this situation, the repeated announcements by the Rev. Ndabaningi Sithole that he is to return to Salisbury shortly have an increased significance. He is believed still to have considerable grassroots support and—if the Rhodesians allow him back without returning him to detention—he could pose a real threat not only to the Patriotic Front itself but also to the United African National Council led by Bishop Abel Muzorewa, which still claims majority support from Rhodesian blacks.

Indeed, there is speculation that Mr. Sithole might either join up with the Bishop or replace Bishop Muzorewa as UANC leader. All the signs are that the Smith cabinet is split on Mr. Sithole's return.

UPI reports from the UN: Black Africa will ask the Security Council to-day for increased international aid for Mozambique to build up its military strength against further Rhodesian border attacks.

African delegates drew up the proposal in line with a mandate from the current ministerial conference of the Organisation of African Unity in Libreville, Gabon. Half a-dozen Foreign Ministers left the conference to issue in the Security Council one of the strongest warnings ever from black Africa against further military pressure by white minority governments in southern Africa against their black neighbours.

Harun affair threatens to deepen split in Malaysia

BY WONG SULONG

KUALA LUMPUR, June 29.

THE HARUN Affair, which has caused a deep rift in Malaysian politics over the past 18 months, may bring to light further divisions in the ruling United Malays National Organisation when it holds its annual General Assembly to-morrow.

Datuk Harun Idris, the former UMNO Youth leader and Selangor Chief Minister, was dismissed in March last year following his conviction on charges of corruption, forgery and cheating. He was also expelled from the party, but at the insistence of a powerful body of supporters was later readmitted. The issue threatens seriously to weaken the party, which totally dominates Malaysian politics, and has already reduced UMNO Youth once the most powerful pressure group in the country, to chaos.

What has, ironically, turned into a power struggle between Datuk Harun and his nephew, Haji Suhaimi, acting President of UMNO Youth, could be resolved at to-morrow's Youth Assembly, which precedes the General Assembly.

Datuk Harun's supporters are demanding that he be reinstated as youth leader, despite the recent failure of his appeal in the Supreme Court against the convictions. Haji Suhaimi is prepared only to seek a royal pardon for his uncle which would, in permanently establishing his guilt, pre-empt current appeals to the Privy Council and the Federal Court.

Many of Datuk Harun's supporters, including Suhaimi, realise that their own political future may be at stake if they persist in the fight to rehabilitate the 53-year-old former youth leader, once among the most powerful men in Malaysia.

The main UMNO party, after seeing the dangers of a militant and independent youth division, is now likely to place curbs on any future youth leader.

Threat of new unrest in Pakistan

The opposition National Alliance in Pakistan yesterday presented the government with its final demands for holding new general elections in October, and gave Mr. Z. A. Bhutto, the Prime Minister, until to-day to reply, Reuter reports from Islamabad. The Alliance called a meeting of its leaders for tonight and said that it would return to street demonstrations if its demands were rejected.

Its spokesman said that the Alliance would accept no changes to its final document, but the demands were as reasonable as possible and he hoped that Mr. Bhutto would agree to them. The two sides have negotiated for almost four weeks on the arrangements for new elections at both national and provincial level. Before that, the opposition conducted anti-government agitation campaigns, after claiming that elections on March 7, which the government won, were rigged.

Israel policy row

The new Israeli Government has a long way to go in forming an economic policy, even though the ruling Likud Party has the key portfolios of Finance, and of Commerce and Industry, L. Daniel writes from Tel Aviv.

Mr. Menachem Begin, the Prime Minister, wants a package deal which would freeze prices, wages, taxes and profits, but the new Minister of Commerce and Industry, Mr. Yigael Hurvitz, says this is not feasible.

Meanwhile Likud supporters have severe doubts about Mr. Hurvitz's proposal to bring in as a special adviser Professor Milton Friedman, who is known to favour temporary unemployment as a cure for the distortion of the Israeli economy.

Yunnan disgrace

Three disgraced Chinese officials have been subjected to mass criticism at a rally attended by a roaring crowd of 1.1m. people in the south-western province of Yunnan, according to a local radio broadcast, Reuter reports from Peking. The report from Yunnan provincial radio came amid indications of an intensification in an anti-radical purge, as Chairman Hua Kuo-Feng clears the way for a new Communist Party congress.

Japan denial

Japan yesterday denied a charge made at the Organisation of African Unity meeting in Gabon that it is importing chrome from Rhodesia and re-exporting it to the U.S., Reuter reports from Tokyo. Mr. Leslie Harriman, chairman of the U.N. Committee on Apartheid, made the charge.

Laos plans releases

Laotian police have told diplomats that six foreigners arrested last Thursday will be released soon, Reuter reports from Vientiane. The three Britons, two French nationals and Australian journalist John Everingham, still under investigation on unspecified charges, appear likely to be expelled, a British Embassy official said.

Sri Lanka prisoner

Mr. Rohana Wijeweera, leader of the 1971 youth insurrection in Sri Lanka, who is now on hunger strike, has been rushed to a prison hospital, Mervyn de Silva writes from Colombo. Doctors said that his condition was causing anxiety. He is serving a 20-year term.

THE UPPER HOUSE ELECTION IN JAPAN

A crumbling conservative dominance

BY CHARLES SMITH, FAR EAST EDITOR

JAPAN'S RULING Liberal Democratic Party will almost certainly lose its 18-year-old absolute majority in the Upper House of the Diet at the mid-term Upper House election to be held here on Sunday week. It will not lose its ability to govern, unless the Centre-Left parties which are expected to co-operate with the Government after the election prove surprisingly recalcitrant. But, the election will nonetheless be a milestone in the gradual collapse of one-party conservative rule in Japan. It could also provide a pointer to a much more serious LDP defeat in the next general election.

The LDP currently holds 127 seats in the 252-seat House of Councillors while the Opposition holds 123. There are two vacancies. Only half of the seats in the House are up for re-election this year, but the LDP has no fewer than 65 seats at stake, all of which it will have to win if it is to retain its absolute majority. The last time the Party managed to win as many as 65 seats in an Upper House election was in the late 1960s when it was much more popular than it is to-day. It won 62 seats in the 1974 Upper House election after record breaking (and in part illegal) election spending, masterminded by the then Prime Minister, Mr. Kakuei Tanaka (now on trial for his alleged role in the Lockheed affair). In the previous election, in 1971, the party won 63 seats.

The LDP's strength in both Houses of the Diet has traditionally been boosted after elections by the accession of right wing independents who failed to secure official LDP backing during their campaigns. But the number of such people has been shrinking, and it appears quite unlikely that any independents will come to the party's rescue after next month's election. There are two reasons. First, the LDP has lost much of its former magnetism for prospective candidates and has thus become anxious to bring any reasonably promising candidates within the official fold before the election. The second point is that the one year old new Liberal Club whose leaders broke away from the LDP last summer to form an "alternative conservative party" has been doing extremely well and now tends to attract conservatives who might formerly have stood as independents. The NLC has been registering support of roughly 10 per cent. in recent public opinion polls, making it, by that criterion, the third most popular party after the LDP itself and the Japan Socialist Party.

The precise outcome of the election depends on two different types of electoral battle, one being fought in the 47 local constituencies based on Japan's prefectures and major cities, the other in the "national constituency" where 50 seats are filled on a first past the post basis by the entire electorate. Each elector, therefore, votes for two candidates. The LDP aims to secure at least one seat in each of the local constituencies (many of which have as many as three or four seats). In the national constituency its target is 20 seats, but it appears extremely unlikely to attain this despite the drafting of film stars, best selling novelists, and other supposed vote getters as candidates.

Most estimates give an absolute minimum of 28 national constituency seats to the four main left-of-centre opposition parties, the Democratic Socialists, Japan Socialists, Komeito, and the Japan Communist Party. The NLC seems certain to do well in the national constituency if only because it has in some cases managed to snatch away attractive candidates who were being wooed by the LDP. Most serious analysts give little or no chance to the Japan Women's Party, a new group dedicated to female supremacy campaigning for the first time in this election.

Analysts believe that the opposition may take up to 35 national constituency seats, and the LDP could be left with as few as 15. If these estimates are correct, the Government might be lucky to score 60 seats, or five short of the number required for an absolute majority.

Without a majority, the LDP would no longer be able to put legislation through the Upper House automatically once it has passed the House of Representatives. Instead it would have to seek the assistance of one or more of the middle-of-the-road opposition parties which are expected to do well in the election. The co-operation of the New Liberal Club is certain to be sought but will probably be refused given the anxiety of the New Liberals, under their 39-year-old leader, Mr. Yohei Kono, to establish an independent image.

A more likely source of help for the Government is the smaller and further right of the two Socialist groupings, the Democratic Socialist Party. The DSP, originally an anti-Communist breakaway group from the mainstream Japan Socialist Party, has been known to provide some back handed assistance to the Liberal Democrats in the past—notably when a deadlock developed a year ago, in the Lower House of the Diet, over the Government's handling of the Lockheed Affair. Collaboration between the LDP and the DSP may become an established fact after the election, although neither side is likely to want a formal coalition. What is more likely is that the LDP will adapt some of its more business-orientated policies to suit the Socialists and that the DSP will privately agree to vote for the Government in return.

Although the LDP would continue in power after a loss of its Upper House majority, much still depends on the margin by which it loses and especially on whether the party manages to salvage at least 60 seats or is faced with a result in the 50s. In the former case, the setback is likely to be judged "respectable," which means in effect that the political climate will be largely undisturbed and that party unity will not be threatened.

A heavy loss of seats however would almost certainly revive factional disturbances inside the LDP, probably led by an ex-Prime Minister, Mr. Takeo Miki, who was himself forced out of office last December after leading the LDP to within a hair's breadth of defeat in the last general (that is Lower House) election. Mr. Miki and his friends in the LDP have had no opportunity of striking back at the new Prime Minister, Mr. Takeo Fukuda, since the débacle. They are quite clearly biding their time for the opportunity to get their own back.

REPRESENTATION IN THE JAPANESE UPPER HOUSE

Seats up for election in brackets

Liberal Democratic Party	127 (65)
Japan Socialist Party	61 (32)
Komeito	24 (10)
Japan Communist Party	20 (9)
Democratic Socialist Party	10 (5)
Niin Club	4 (0)
New Liberal Club	1 (0)
Independents	3 (3)
Vacancies	2 (2)
Total	252(126)

WORLD TRADE NEWS

Israeli shipping pulls out of Djibouti

By L. Daniel

HAIFA, June 29.

ZIM ISRAEL Navigation Company has withdrawn its equipment from the Port of Djibouti, following Djibouti's decision to join the Arab League.

The company has also "frozen" a plan for the establishment of a large container terminal which had been approved by the local authorities in Djibouti. The decision to suspend work on this project was taken some months ago pending clarification of Djibouti's future policy towards Israel, company sources told the Financial Times.

Zim operates between 20-25 ships out of Israel's southern port of Eilat (on the Gulf of Aqaba), many of which call at Djibouti on their way to ports in Iran, South Africa, Australia and the Far East, to load or discharge cargoes. Others use only the bunkering facilities which account for a substantial part of the port's income.

Some of the ships fly Israeli colours, but most are flags of convenience. It remains to be seen whether the Djibouti authorities will take any steps against the latter if they are manned by non-Israeli crews. If they should, alternative port facilities are available the Zim sources say.

● A 100 per cent. congestion surcharge is being introduced on vessels calling at Cotonou, Dahomey, by the U.K.-West Africa Joint service conference lines.

The surcharge, effective from July 11, is to counter the cost of increasing congestion at the port where delays of up to one month are being experienced.

Last week H. P. Drewry (Shipping Consultants) reported that about 15 per cent. of the world's ocean-going general cargo fleet is tied up by congestion at Third World ports at a cost of about $U.S.7.2m. a day.

India wins $74m. Saudi contract

By K. K. Sharma

NEW DELHI, June 29.

THE GOVERNMENT owned Bharat Heavy Electricals (BHEL) has won a $74m. turn-key contract for the electrification of Wadi Jizan city in Saudi Arabia. The contract involves construction of a 35,000 kW power station based on diesel, establishing a transmission network and construction of four sub-stations.

This is the biggest contract won by an Indian company in Saudi Arabia since that country awarded a similar electrification contract to four developing countries after rejecting bids by Western and Japanese companies on grounds that they were unduly inflated. Bhel is executing part of that contract also.

Bhel won this contract after bidding for it in competition with international companies. It is considered a major breakthrough in India's objective of acquiring a major share of Saudi Arabia's development plan.

Bhel has undertaken to complete the Wadi Jizan contract within two and a half years and is expected to submit basic design drawings to the Saudi Arabian authorities soon. The civil works part of the contract is to be subcontracted to the Government-owned Engineers Project India (EPI). Subcontractors are also to be found for carrying out transmission works. The 35,000 kV diesel power station is to be manufactured by BHEL in India but a small 7 mW diesel engine is to be bought from another country.

Mitsubishi chemical study

TOKYO, June 29.

THE MITSUBISHI industrial group has proposed to the Saudi Arabian Government a joint feasibility study on building a giant petrochemical complex, in Saudi Arabia, according to sources close to the group.

The proposed complex would be built around an ethylene production centre with an annual capacity of 300,000 tons and could cost up to Y500bn., the sources said.

The Ministry of International Trade and Industry said earlier this month it would support the Saudi Arabian petrochemical plan as a Japanese national project, if the Mitsubishi group agreed to participate in it. Mitsubishi last year deferred plans to participate in the project because of an inflationary rise in the project's cost.

● Toshiba has won an Y11bn. order for four 77,200 kW gas turbine power generating plants and related equipment from a 50-50 joint Iran-Japanese venture, the Iran Japan Petrochemical Company. The plants are to be completed before July 1979, when they go into operation for power supply to a petrochemical complex the joint company will build on the Gulf Coast, Toshiba said.

ASEAN takes strong lin against protectionism

BY OUR OWN CORRESPONDENT

SINGAPORE, June

ECONOMIC MINISTERS of the Association of South East Asian Nations (ASEAN) ended their three-day meeting here to-day with an expression of "grave concern" over protectionist policies among developed countries and with a call for their abandonment.

The ministers did not agree any co-ordinated retaliatory action, which was called for by Singapore Prime Minister, Mr. Lee Kuan Yew, on Monday when he urged the ASEAN to close their markets to protectionist countries.

A similar call from Malaysia Trade and Industry Minister, Datuk Hamzah Abu Samah, for ASEAN to emulate Malaysia's unilateral retaliation against restrictive trade policies by Australia also failed to find support at the meeting.

However, according to Singapore Finance Minister, Mr. Hon Sui Sen, who chaired the meeting, ASEAN wants developed countries to "pay more regard" to protests over protectionism, and the five member States will exchange notes over unilateral counter measures by any one of them, with a view to possible joint action in the future.

The ministers also discussed measures to develop and strengthen economic relationships with Japan, the EEC, the U.S., Australia, Canada and New Zealand.

The ministers of the association which comprises Indonesia, Malaysia, Philippines, Singapore and Thailand, met to finalise key issues prior to the second ASEAN summit meeting which is to be held in Kuala Lumpur at the end of July.

Trade concessions under the ASEAN agreement on preferential trading arrangements, signed in Manila in February, were exchanged for a list of 71 products. The list, according to Mr. Hon Sui Sen, includes garments, engineering goods, ball bearings, sawn timber, chilli, paraffin wax. The margin of preference granted "on a n lateral basis" will range fro per cent. to 30 per cent. preferences will affect ASEAN trade in these currently worth around $US1 a year.

ASEAN central banks monetary authorities are als participate in a $U.S.100m. arrangement "to help b temporary international liqu problems of ASEAN countr

● Hong Kong's domestic ex totalled £370m. in May, 13 cent. up on April. May imp at £522m., rose 1.1 per cent the previous month and exports, at £103m., were up per cent.

In this year's January- period domestic exports £1.61bn., were up 7.3 per c over the comparable time year. Imports amounted £2.431m., a 14.7 per increase, and re-exports £4 (an 8 per cent. rise).

Soviet—Japanese trade growth

BY DAVID SATTER

MOSCOW, June 29

A FEARED drop in Soviet-Japanese trade during the first quarter of this year as a result of the Mig-25 incident last year, did not materialise and Soviet-Japanese trade is set for major expansion.

The value of Japanese exports to the Soviet Union during the first quarter 1977 was $403.5m., a rise of 34.2 per cent. on the same 1976 period. Value of Japanese imports rose to $109.8m., up 19.3 per cent. on the first quarter of 1976.

The Japanese-Soviet trade figures were watched carefully here for signs of Soviet retaliation over the Mig-25 incident. The fact that trade did not fall but showed a healthy expansion is taken as confirmation that the Soviets are eager to expand their trade with Japan regardless of the bilateral political situation.

When there are political complications in Soviet-Japanese trade they are often due to the reaction of the Japanese side. The Soviet-Japanese fishing dispute this spring led to a postponement in signing the 1976-80 Japanese-Soviet agreement, a halt to negotiations on co-operation in Soviet Siberian development and delays in granting the Soviet Union Japanese Export Import Bank credit.

With the end of the dispute, however, a way appears prepared for a substantial growth in trade. Soviet Foreign Trade Minister N. S. Patolichev's visit to Japan earlier this month ended with the signing of a new 1976-80 trade agreement and the Soviet Government newspaper Izvestia has predicted that during the agreement the value of reciprocal trade may reach $14bn. Trade during the life of the 1971-75 agreement was $6bn.

There has been no resumption in the negotiations on Soviet-Japanese co-operation in Siberian development but these are expected to begin again soon.

The Japanese Export-Import Bank granted the Soviet Union more than $300m. worth of credit on June 12 to pay for the purchase in Japan of three chemical plants. The credits are a tract which was signed for plants last year by the Sov with the Mitsubishi Tra Company and Toyo Engineer They were also the first Exp Import Bank credits for Soviet Union in almost a y

● Thomson Brandt subsidi Ste d'Etudes Techniques d'Entreprises Generales (SO TEG) and BSN-Gervais Dan SA are negotiating to buil food factory in the Soviet Uni Thomson-Brandt spokesman s in Paris yesterday. The contr would be worth around $12 but a final agreement is expected for another month.

Coal from Australia

BY JAMES FORTH

SYDNEY, June 29.

TWO Australian companies have obtained contracts worth about $A100m. to supply steaming coal to a Japanese power utility.

Coalex, a subsidiary of Oakbridge, will supply 1m. tonnes over five years while R. W. Miller (Holdings) will supply 250,000 tonnes over the same period. Oakbridge was formerly Slater Walker Australia but is now controlled by a former SWA executive, Mr. G. Mapp. R. W. Miller is owned by three major Australian companies, Ampol Petroleum, Bulkships and Howard Smith.

The contracts are both with Electric Power Development Company, a Japanese Government-financed corporation, and both start in 1980. The coal will go to the Matsushima coal-fired power station and the contract will be extended automatically for the life of the power station. Coalex already supplies 450,000 tonnes of formed coal a year to Japanese steel mills and has agreements to supply another 650,000 tonnes a year.

The Japanese authorities are considering more coal contracts as they plan coal fired power stations to reduce Japan's dependence on oil. R. W. Miller said its contracts had important implications for two prospective development projects in New South Wales—at Mt. Thorley and Ironbark.

Sales drive by U.K. hardware

BY DAVID FREUD, INDUSTRIAL STAFF

BRITISH HARDWARE manufacturers are launching a major sales drive in Japan.

Yesterday a delegation of 27 representatives from 19 companies within the Hardware Manufacturers Association left Heathrow to take part in the first ever Housewares Exhibition at the British Marketing Centre in Tokyo.

The Association regards Japan as a major market. Due to the decline in sterling British hardware and houseware companies are now highly competitive—even in the Far East—in quality products.

The present levels of sales by the industry in Japan is estimated to be below £2m. But Mr. Peter Boult, the president of the association, said that sales were likely to increase 50 per cent. by the end of the year because of the exhibition.

In the slightly longer term the Association was hoping to see exports growing at the rate of about £5m. a year, Mr. Boult said. "Spending in the Japanese housewares market is increasing by up to 20 per cent. a year and as yet this market remains relatively unexploited. We woul like to see association membe taking at least 5 per cent. of t increase annually."

The exhibition is being he from the 5th to the 9th of Jul Many members of the delegatio will be staying in Japan for fortnight or more.

Five of the companies are ma ing their first entrance into t Japanese market. They will using the opportunity to find di tributors and agents. The oth 14, six of whom have starte exporting to Japan as a result participating in the exhibitio hope to increase their mark share.

Companies involved incluc The Prestige Group, who will launching, officially, a subsidiar called Prestige Japan at th exhibition, Kitchen Devils, Cra onne, the Worcester Roy Porcelain Company and Croyde

THE EUROPEAN COMMISSION has decided to put 2m. units of account (some £1.3m.) into next year's Community budget for promoting EEC exports to Japan writes Robin Reeves in Brussels.

The budgetary allocation, which is subject to the approval of EEC member Governments, will be directed particularly towards helping small and medium-sized companies to establish themselves in the Japanese market.

Agrico drops Jordan venture

BY RAMI G. KHOURI

AMMAN, June 29

AGRICO CHEMICAL of Tulsa, Oklahoma, has withdrawn from its role in Jordan's biggest industrial project, the $325m. superphosphate fertiliser plant at the southern port of Aqaba.

An agreement has just been signed here for Agrico to give up its 25.1 per cent. share in the $60m. capital of the Jordan *Fertiliser Industry Company* (JFIC), and to withdraw from its obligations to provide technical services and management for the new plant.

JFIC general manager Dr. Mahmud Mardi told the Financial Times that a short list of six new prospective partners to replace Agrico is now being studied with International Finance (IFC), the World Bank affiliate that holds 5 per cent. of the JFIC equity. He said agreement is expected to be reached with a new partner by September, though the new company is likely to have a smaller equity share in JFIC than the 25.1 per cent. Agrico held.

He also said the JFIC capital would be raised from $60m. to $100m. by October. The Jordanian Government and the Jordan Phosphate Mines Company each have 25 per cent. of the equity of JFIC, five per cent. is being held for the Jordania public, and about 15 per cen will be offered to private citizen and Arab aid funds throughou the Gulf states.

Dr. Mardi also said that th total cost of the fertiliser plar is now put at $325m. Site wor is scheduled to start in Augus and production is still expecte to start in December 1979.

The Agrico withdrawal cam after a new management team i Tulsa critically reviewed th company's growing oversea investments and decided to cu tail them. According to th JFIC, the withdrawal of Agric has been amicable.

EEC car standards

BY DAVID BUCHAN

LUXEMBOURG, June 29.

THE NUMBER of EEC directives removing technical barriers to trade passed the 100 mark to-day when EEC transport ministers approved six new Euro-standards for cars. They cover rear fog light, safety belts, reversing lamps, windscreens, towing hooks and parking lights.

Some 38 car standards have now been agreed. The directives do not make the standards compulsory throughout the Nine—they merely mean that cars or car parts conforming to these standards cannot be kept out of another member state on technical grounds. British car manufacturers nevertheless reckon that, when the remaining standards are agreed covering a complete car, they will save up to £2m. a year on manufacturing costs and perhaps more in administrative costs.

Britain had hoped to see all the standard directives passed before its term in the EEC president's chair ends to-morrow night. Eight directives, covering notably tyres and safety glass, remain to be agreed. Part of the delay has been the growing recognition by some manufacturers *and Governments that* freer car trade within the EEC could also benefit third-country car makers, notably Japan.

This fear was raised to-day by the French Transport Minister, and the ministers have ordered a study into the implications of the possible exploitation of the new directives by non-EEC car makers.

Pan Am joins charter body

BY MICHAEL DONNE

PAN AMERICAN World Airway has joined the Independent Ai Carrier Association (IACA), th international body that repr sents independent charter opera tors in the world airline industry

Pan Am will remain a fu member of the rival Inte national Air Transport Associ tion (IATA), which looks afte the interests of scheduled ai lines. But in its dual charte carrier and scheduled-servic role it wished to make its view on charter activities more widel known. Other scheduled airline may now follow suit.

The move is seen as a furthe step in bringing the schedule and charter sides of the industr closer together. For years, ther has been intense rivalry betwee them.

FINANCIAL TIMES SURVEY

Thursday June 30 1977

Accountancy

The challenges facing Britain's accountancy profession have seldom been greater. This survey, which appears while the English Institute of Chartered Accountants is holding its annual conference, reviews the state of the profession, and the issues likely to determine its future course.

Under fire on many fronts

By Michael Lafferty

THE BRITISH accountancy profession is still one of the most respected and possibly the most influential of the accountancy professions of the world. British or part-British accounting firms operate or are represented in every State outside the Iron Curtain. And the British chartered accountant's qualification is still probably the most saleable accounting qualification there is in international business and finance.

But these very impressive achievements cannot hide the fact that the British accountancy bodies are now facing an unprecedented credibility crisis. The profession is under attack as never before—for its lack of adequate investigative and disciplinary powers, its defective auditing standards, its flexible accounting standards, and, last but not least, the controversy over inflation accounting.

It is not alone in being in this predicament. If it is any consolation, in the U.S. the profession is in a far worse mess. Indeed all over the world, from Anglo-Saxon nations such as Canada and Australia to others such as France and Japan, the role of the public accountant and traditional accounting practices are under increasing scrutiny by an ever more demanding public.

The past year has not been a happy one for the British accountancy profession. As case after case of apparently ineffective auditing was disclosed mainly in a series of hard-hitting Department of Trade inspectors' reports the profession was caught napping. It ought to have seen what was coming. But it was only after considerable Press publicity and intervention by the Department of Trade that a committee of inquiry under the chairmanship of Lord Cross of Chelsea was established to examine the discipline problem.

However, any consideration of the challenges currently facing the accountancy profession in the U.K. must begin with a look at its overall organisation.

The profession represents itself to the public and to Government through a less-than-united body known as the Consultative Committee of Accountancy Bodies (CCAB). Well over 100,000 qualified accountants belong to the six professional bodies which make up CCAB—the English, Scottish and Irish Institutes of Chartered Accountants, the Association of Certified Accountants, the Institute of Cost and Management Accountants, and the Chartered Institute of Public Finance and Accountancy.

This means that Britain has more qualified accountants than all the other European countries put together.

The largest professional body, the English Institute of Chartered Accountants, has over 60,000 members, well over half of whom work in accounting and finance positions in industry together with almost all the cost and management accountants and certified accountants.

The public practice side of the profession is also dominated by chartered accountants operating through firms ranging from the major international firms to a very large number of sole practitioners and small partnerships.

> *"There was therefore a crisis of credibility which is a challenge to the profession's independence. We must recognise that the challenge is serious and will be of a recurring nature. It is not confined to these shores alone. It is not confined to the auditing of large companies. It covers all aspects of the work of every public accountant. These engaged in industry, commerce and the public service are not beyond challenge."*
>
> **Mr. Stanley Kitchen, President of the Institute of Chartered Accountants in England and Wales, 1976/77.**

Tensions

In these circumstances it is hardly surprising that there are tensions—between the professional bodies themselves, between accountants in industry and those in public practice, and between the large accounting firms and the smaller.

In practice it certainly amounts to a far from satisfactory machinery for organising a profession. Indeed at the extreme it sometimes means that urgent decisions take well over six times longer to make because each body has to give its formal approval, while petty inter-professional rivalry often leads to even further delays.

Considering the problems which face the profession it would not be difficult to conclude that the administrative machinery is far too unwieldly for the task of self-regulation. In short, this amounts to questioning whether there is a need for a smaller *auditing* body to represent the public practice side of accountancy.

For some, the division would not even end there. They claim, with some justification that the small accounting firm has nothing in common with the big firms. Above all, it is said that most of the so-called auditing work performed by small accounting firms for smaller companies does not deserve to be called that at all, since the accountant will often have prepared the accounts himself, and the company will not have sufficient controls and records for him to be satisfied that the accounts give a true and fair view.

This is just some of the background against which the accountancy profession must make progress in the coming years. In the next 12 months the challenge will have to be met by improvements in investigation and disciplinary procedures, by codified minimum auditing standards, by continuing the programme of accounting standards, and by some satisfactory resolution of the inflation accounting controversy.

The disciplinary problem is still in the hands of the Cross Committee but a report is expected to be submitted to the accounting bodies in about August or September. Already, however, there is growing acceptance that the profession will have to have some degree of independent representation in its investigatory and disciplinary procedures.

Tribunal

Many accountants also think that nothing less than a statutory tribunal with power to compel witnesses, subpoena evidence and impose penalties will begin to solve the problem.

But others feel that there is scope for a solution within self-regulation if the profession were to adopt the procedures of the Takeover Panel, the body set up by the City to police itself. The recent appointment of Mr. Martin Harris, former Director-General of the Panel and Cross Committee member, as chairman of the English Institute of Chartered Accountants professional standards committee may be seen as a move in this direction.

Whatever happens, there are certainly moves afoot to publicise the views of the relevant Institute committees on the behaviour of errant members.

The lack of progress on issuing relatively uncontroversial auditing standards, which would be nothing more than a re-statement of what is already widely accepted practice, is puzzling. The English Institute has been issuing auditing guidance statements since 1961, and had been working on audit "standards" since the early 1970s. However, nothing had been published by the time the CCAB Auditing Practices Committee was established in February 1976 at the height of the outcry over the DoT report on London and County Securities, the fringe bank which failed in December 1973.

The APC held its first meeting in March 1976 and announced that it was going to work out statements on the auditor's personal standards, his operational standards, and his reporting standards. So far, however, not a single document has been published and nothing is expected before the end of the year.

The sub-committee, under the chairmanship of Mr. Ian Hay Davison, Arthur Andersen's managing partner, did produce a set of draft personal standards only to be told that this was not merely an auditing matter. The whole subject of accountants' and auditors' personal standards is now in the hands of the profession's ethical committees. Meanwhile, Mr. Davison has voiced his frustration by telling the public "it is nothing less than scandalous" that there is still no rule positively forbidding an auditor from holding shares in his client. "My bitter experience leads me to conclude that, in this area at least, self-regulation has failed," he declares.

One of the main reasons for the delay in drafting the other standards has been the difficulty of making them applicable to companies of all sizes, from the sweet shop on the corner to the ICIs of this world. The problem could be resolved by allowing different audit standards to be applied to different types of company. According to *True and Fair*, the official bulletin of the of the Auditing Practices Committee, "to differentiate between the two, the auditor's report would have to make it clear which standards had been applied and this could quickly lead to miunderstanding and the application of inappropriate standards." Double standards would not only be far from an ideal solution, but also possibly illegal.

Choice

There is therefore a strong case, as the APC suggests, for changing the law to allow shareholders of smaller companies to choose whether they wish to have their companies' accounts audited (which incidentally would not be out of step with practice and developme nt sin other countries). "If they so choose there would still need to be a requirement for some form of report (in less stringent terms than at present) to be given by a qualified accountant so that the accounts may have the necessary level of authority to creditors, minority shareholders, the Inland Revenue and other third parties."

Once auditing standards have been issued the profession will have to turn its attention to methods of insuring that minimum standards are being observed by individual accounting firms, and to improving the position of the auditor in relation to his client. This is likely to lead to "peer reviews" of accounting firms by each other, something which is already taking place in the U.S.

Another development which may be expected is increased use of audit committees, whereby a small committee of mainly non-executive directors is established by a company's Board to liaise with the auditor.

In the longer term, the profession will have to prepare itself for a good deal of attention from politicians, and from the Labour Party in particular.

The seeds of this are already sown. A recent study of poverty and taxation by Mr. Frank Field of the Child Poverty Action Group, and others, is sharply critical of the "tax avoidance industry" of accounants and lawyers, which it says should be exposed by the Inland Revenue.

In a separate development, a draft Labour Party Green Paper on trans-national companies, which is due to be published in the nex few months, concludes that "accountants wield too much power to be left as they are. This is therefore an important area for further study," it warns.

Involvement in industry

OVER 80 per cent. of company chief financial officers (CFOs) in the U.K. are chartered accountants, and 92 per cent. of all companies have CFO's with an accounting qualification. These are some of the striking statistics to emerge from a survey of the Times 1,000 companies conducted during 1976 by Heidrick and Struggles. In contrast, only 38 per cent. of CFOs in the U.S. have an accounting qualification.

Continuing the comparisons of the study, the CFO in the U.K. will usually be the finance director, in the U.S. the vice-president finance. In the U.K. his average salary in 1976 was £18,882, in the U.S. $95,100 (about £56,000). In the U.K. he will not have a degree, in the U.S. he will probably have a basic degree of some sort, possibly an MBA.

But the finance directors are only the tip of the iceberg. Overall, more than 70,000 qualified accountants—chartered, certified and cost and management accountants—work in British industry. They have no real competition simply because there is no tradition of academic business education in the U.K. The emergence of the business schools seems to have had little impact in this regard, possibly because a large part of the intake of students for many of them is the qualified accountant seeking a gloss on his professional qualification.

What competition there is must be between the various accounting bodies themselves. Traditionally, the chartered accountant's FCA, ACA or CA qualification, based on a number of years of full-time training in public practice, has dominated both public practice and industry, and that is still the position to-day. But the balance may be changing gradually. Both of the competing bodies, the certified accountants and the cost and management accountants, specialise in training their members in industry (although the certified accountants still like to imagine they are a public practice accounting body) and by sheer numbers involved must increasingly stand to capture a greater proportion of the top finance positions in British industry.

It is almost certainly this possibility—that non-chartered accountants and most likely cost and management accountants, might one day capture the senior finance positions in British industry—which is inevitably pushing the chartered accountants to accept at least a limited scheme for training, a proportion of chartered accountants in industry, as opposed to public practice.

Only recently the English Institute of Chartered Accountants circulated the finance directors of the top 1,000 companies in the U.K. asking them if they had the facilities and were willing to undertake a pilot scheme of training chartered accountants in industry. Replies have only just started to come in but the response looks to be very satisfactory.

The pilot scheme is likely to consist of some 100 trainees, but the numbers could build up to a maximum of about 500 going into industry each year. Each trainee would be "articled" to a chartered accountant in a senior position in the company concerned, ideally the finance director, and would be expected to obtain a wide range of experience throughout his years of training. He might also spend one of those years on secondment to a practising accounting firm, and serve conventional articles for that period.

Outspoken

Needless to say, the industry training scheme is highly controversial. Mr. Ian Hay Davison, managing partner of Arthur Andersen, is one of the most outspoken opponents of the idea. "I do not regard it as the primary function of the Institute to train members to work in industry—although that may be a useful by-product—and I certainly do not accept that there is any need to influence the trend of senior appointments being taken by members of other bodies which is alleged to have developed," he said earlier this year.

"No industrial firm," said Mr. Davison, "can ever reproduce that concentration of accounting expertise which exists within even a modest accountancy practice, which after all is composed entirely of specialists in accounting, some of them indeed sub-specialists in such topics as tax, liquidations, incomplete records, trustee work, audits and investigations."

Comments such as these highlight the distinction and the growing rift between accountants in public practice and those in industry. Traditionally, the Council of the English Institute of Chartered Accountants has been dominated by the big practising firms—names such as Peat, Marwick, Price Waterhouse and Coopers and Lybrand—with only minority representation from industry. The same is true of the profession's Accounting Standards Committee, which works out codified standards for financial reporting.

The frustration of accountants in industry about this situation has manifested itself many times over the years, but never has it been so apparent as it is now. One outcome has been the establishment of a number of finance director groups throughout the U.K. Already four such groups are in existence, and more may be on the way. The eventual possibility of a national finance directors association cannot be ruled out.

The four are: The Hundred Group (this covers the London area but not all members are finance directors); the Midlands Industry Finance Directors Group; The Nationalised Industries Finance Directors Group, and the Group of Scottish Finance Directors.

The Morpeth ED 18 current cost accounting exposure draft was the main motivation behind the formation of two of the groups — the Midlands Industry Finance Directors' Group and the Group of Scottish Finance Directors. But Mr. Paddy Custis, the chairman of the Midland group, says ED 18 was simply the "straw that broke the camel's back." Finance directors have long been concerned at how little attention was being paid to their representations on matters such as accounting standards, he says.

The Midlands Group includes the finance directors of 29 of the largest companies in the Midlands, including GKN, Tube Investments, Bovis, BICC, GEC and Lucas. An unusual condition of membership is that each finance director must have authority to speak on behalf of his company in all matters dealt with by the group. This, according to Mr. Custis, means that it can wield far more power than if its members were simply speaking as individuals.

With a tough and hard-hitting submission on ED 18 out of the way, the Midlands group is now turning its attention to a study of the new prices Policy. Paddy Custis sees it developing in this way into a broad-based body concerned with all areas of finance and accounting.

One of his own personal objectives is to see big changes in the composition of the Accounting Standards Committee. "There should be at least 50 per cent. representation from industry. Unless that happens, there will be increasing problems with enforcing standards in the future," he warns. But recognising that finance directors could never devote the same amount of time to ASC as partners in the big accounting firms, Paddy Custis suggests that the standards committee and industry could easily arrange for suitable accountants from industry to be co-opted onto sub-committees to deal with particular projects. By splitting up work in this way, there would be less strain on the resources of industry.

Views

The Group of Scottish Finance Directors has representatives from only nine companies, including Coats Patons, Scottish and Newcastle Breweries and the Weir Group. Unlike the Midland group, however, it is careful to point out that its representations only reflect the views of the group's members as individuals "but may not necessarily be the policy of their company."

The group's submission on ED 18 talks of the need to bridge "the widening gap between the views of accountants in industry and accountants in the profession." It says that this gap is nowhere more apparent than in the debate on CCA. "In our view, professional accou[...] (auditors) appear to mis[...] stand the role of the annu[...] port and accounts in the m[...] company. A company do[...] exist to produce its annu[...] port, nor does it use the a[...] accounts to run its affai[...]

"Within industry, the effect of inflation has not [...] a basic reappraisal of [...] keeping systems, but a de[...] ment of cash flow account[...] the areas of investment [...] and working capital." Th[...] mission concluded with [...] words: "In essence, our vi[...] that ED 18 should be scra[...]

Mr. Charles Wallace, finance director of Coats P[...] says that one of the reasons why his group [...] together was because [...] dissatisfaction with the w[...] dustry was being lectur[...] the CCA debate on how t[...] pare its own manage[...] accounts. "It is not the pu[...] of accounting standards—inflation accounting standa[...] to deal with manage[...] accounting," he declares.

Mr. Wallace agrees [...] Paddy Custis that the acc[...] ing standards programme [...] some extent out of touch [...] industry, although he [...] changes coming. In partic[...] he welcomes the sort of co[...] tations which ASC recently [...] with finance directors befo[...] completes an exposure draf[...] currency translation [...] meeting was quite an [...] opener" he says.

M[...]

Firms and their services

THERE ARE several thousand accounting firms in the U.K. Nobody knows the exact number but some estimates suggest a total of over 10,000.

In size the firms range from sole practitioners with a few staff to major national practices with extensive international connections and employing up to 1,000 qualified accountants in the U.K. alone. Almost all are firms of chartered accountants. The number of qualified accountants working in these firms, either as partners or employees, is around 35,000 to 40,000.

The services provided vary, depending on the size and the specialisation of the partners and accountants involved. Among small firms the bulk of work is likely to come from small companies and personal clients of one kind or another. The partner in a small accounting firm is likely to be the personal financial adviser to many of his clients, providing them or their businesses with all-round accounting, book-keeping, auditing and taxation services.

At the other extreme the major accounting firms such as Peat Marwick Mitchell, Deloittes Coopers and Lybrand, and Price Waterhouse are largely concerned with servicing the needs of public and multinational companies. By far the largest proportion of their fees is earned in carrying out statutory audits. But they also act, and have large specialist departments, in the areas of reporting accountants for new listings, investigations, taxation, management services, liquidations and receivership. There are about 12 of these firms in this category.

In between the very large number of small firms and the handful of giants lies a group of possibly about 100 medium-sized practices ranging from fairly large firms (with several quoted company clients) such as Mann Judd, Pannell Fitzpatrick, and Tansley Witt to others with only about 15 to 20 partners and a few substantial clients. It is these firms, caught in the middle, which are now having to reassess their role in a rapidly changing profession.

For many the choice simply does not exist. They will gradually lose their big clients to the major accounting firms and will have to revert to the smaller league or go out of business. Some medium-sized firms appear to be over-partnered, and much of the work being done by partners is only that of manager of supervisor grade. Unless such firms rationalise themselves and get rid of unprofitable business, they will disappear within ten to 15 years. This view, was expressed by several partners in the bigger firms.

Lost

An example of a medium-sized accounting firm which recently lost its major client to Price Waterhouse is Champness Cowper, a 17-partner West End firm of chartered accountants. The client was Reed International, the world-wide paper, packaging and printing group. Up to the time it was asked to resign by the Reed Board, Champness had audited the Reed holding company and about half of the group's U.K. subsidiaries. The overseas audits had been done by a number of international accounting firms such as Deloittes, Peat Marwick Mitchell, Coopers and Lybrand and Price Waterhouse.

Less than 20 per cent. of Reed's 1976 audit feed of £1.15m. is believed to have been paid to Champness Cowper, but this may well have accounted for as much as 10 per cent. of that firm's total fees. (According to existing ethical rules, fees from one client should not account for more than 15 per cent. of a firm's total fees.) Fortunately for Champness Cowper, Reed has decided to retain the firm as auditors to some of its U.K. subsidiaries. This should allow the firm time to readjust and acquire new clients.

CONTINUED ON NEXT PAGE

THE BIG ACCOUNTING FIRMS IN BRITAIN

	U.K. Partners	Total U.K. partners and professional staff	Estimated gross fees £m.
Peat Marwick Mitchell ...	141	2,831	28
Deloittes	228	2,728	27
Coopers and Lybrand	128	2,007	20
Price Waterhouse	101	1,658	17
Whinney Murray	106	*	*
Thomson McLintock*	125	1,350	13
Arthur Young McClelland Moores	79	1,129	11
Touche Ross	73	1,123	11
Turquands Barton Mayhew	70	940	9
Spicer and Pegler	70	900	9
Josolyne Layton Bennett...	91	791	8
Binder Hamlyn	73	673	7
Arthur Andersen	37	573	6

This table lists for the first time the total numbers of partners and professional staff in the major U.K. accounting firms. These personnel figures have been supplied by the individual firms. The figure for the estimated gross fees of each firm is arrived at simply by multiplying the total number of partners and staff by a factor of £10,000. This is believed to give a conservative indication of a typical firm's turnover, but in some cases it may be only a rough approximation.

The list consists of the "Big Eight" international accounting firms, and five other large British firms which have important international connections and a significant number of U.K. listed company audits.

* Whinney Murray has refused to disclose its personnel figures. It is not clear whether it has more staff than Thomson McLintock.

The debate on standards

NO SINGLE factor can have contributed more to the accountancy profession's public exposure in the past seven years than the accounting standards programme. Conceived in the wake of a series of accounting scandals at the end of the 1960s when the variety of alternative accounting practices available to companies first received much publicity, the programme has on the whole been a notable success.

No fewer than nine accounting standards, ranging from one requiring the disclosure of accounting policies in published accounts to others on earnings per share and stock valuation, are now in force and are securing a wide degree of acceptance. In addition, four exposure drafts for future standards have been published, a number of others are in the pipeline, and two or even three of these can be expected to become full accounting standards before the end of the year.

The English Institute of Chartered Accountants' 1976 survey of published accounts of the 300 major British listed companies records only ten instances (1975, 9) where qualified audit reports had been issued as a result of non-compliance with statements of standard accounting practice (SSAPs). Of these, it appears that one related to the treatment of Government grants, two to failure to depreciate property, one because there was no estimate of tax on potential capital gains, two because of the use of the LIFO basis of stock valuation by a subsidiary, two because of the treatment of advance corporation tax, and one each related to the translation of foreign currency loans and the calculation of earnings per share.

In addition there were 31 instances (1975, 32) in which comments were included in audit reports which did not amount to a qualification, but which in some cases may have involved a breach of an accounting standard. The most common example of this is where a company does not feel that a particular standard suits its circumstances, and the auditors agree.

The inflation accounting issue has inevitably occupied much of the time of the Accounting Standards Committee (ASC), even though the detailed handling of the proposals for current cost accounting has been sub-contracted to a steering group headed by Mr. Douglas Morpeth, the ASC deputy chairman. One indication of this is the fact that the last accounting standard, the ill-fated SSAP 11 on deferred tax, was issued as long ago as August, 1975. Since September, 1975, only projects to see the light of day have been two exposure drafts—one in 1976 and one in 1977—being revisions of existing proposals on research and development and SSAP 11.

But now that the implementation of CCA has been further delayed, more emphasis is likely to be placed on the conventional standards programme.

The next standard, SSAP 12, will deal with depreciation. ASC has already completed work on the project, which is now before the councils of the sponsoring accounting bodies for approval. Publication of the standard is expected about September this year.

Fierce

The depreciation standard will contain one point of controversy. In future companies will be required to depreciate buildings over their useful life, whereas at present only about 50 per cent. do so. Few manufacturing companies are likely to object to this but fierce opposition has already been expressed by property investment companies.

The 13th standard will almost certainly deal with the accounting treatment of research and development expenditure. After strong pressure from the Society of British Aerospace Companies, ASC's original proposals (ED 14) on this subject were withdrawn and replaced by the far more liberal ED 17. Unlike ED 14, which required all R and D to be expensed as incurred, ED 17 said that development expenditure may be carried forward and written off over the life of the products which have been developed. This was probably the first example of ASC giving in to pressure from a special interest group. Significantly, in the latest survey of published accounts only nine of the 300 companies in the survey carried forward development expenditure, whereas 130 wrote it off.

The most obvious example of an accounting standard which was changed in the face of widespread opposition from industry and other users of accounts is of course SSAP 11, the intended standard on deferred tax accounting. The original accounting standard required companies to set up deferred tax liabilities for all timing differences where there was a disparity between the date at which income was recognised for commercial purposes and that at which it was assessed for taxation. The main differences were those arising from accelerated depreciation allowances and stock appreciation relief.

Rather unusually, little or no dispute arose over the draft of the original deferred tax standard, suggesting perhaps that industry and the CBI in particular had not fully appreciated the significance of the project, or even of the whole accounting standards programme. It was only when companies began to adopt the standard, and large deferred liabilities began to build up in accounts, that the real impact of ASC's proposals became clear.

The reality turned out to be far different from what the accountancy profession or industry had ever expected. The proposed standard was taking effect at a time when tax depreciation rates were at an all-time high of 100 per cent, and the unprecedented stock relief was just beginning to operate. Soon people began to realise that deferred tax liabilities would just continue to grow and grow. One stockbroker calculated that within a few years they would account for 25 per cent. of all balance sheet liabilities. Yet it was generally thought that something like 90 per cent. of the amounts shown as deferred tax liabilities would never in practice have to be paid over to the Inland Revenue.

Clamour

Before long, industrialists and accountants in industry started to claim that the standard had been issued without adequate consultation. It was too academic and out of touch with reality, they claimed. The Confederation of British Industry became the rallying point for the opposition, but before long several other powerful bodies including the London clearing banks and the British Insurance Association joined in the general clamour. ASC had no option but to recommend to the accountancy bodies that the starting date for implementation of SSAP 11 should be deferred indefinitely.

The revised deferred tax accounting proposals, published in May, in exposure draft 19, will have a major impact on companies' after-tax profits and the structure of balance sheets.

CURRENT POSITION ON STANDARDS

Accounting Standards In Force		
SSAP	1	Accounting for the Results of Associated Companies
SSAP	2	Disclosure of Accounting Policies
SSAP	3	Earnings per Share
SSAP	4	The Accounting Treatment of Government Grants
SSAP	5	Accounting for Value Added Tax
SSAP	6	Extraordinary Items and Prior Year Adjustments
SSAP	8	The Treatment of Taxation under the Imputation System
SSAP	9	Stocks and Work in Progress
SSAP	10	Statements of Source and Application of Funds.
Exposure Drafts Issued		
ED	15	Accounting for Depreciation
ED	16	Supplement to Extraordinary Items and Prior Year Adjustments
ED	17	Accounting for Research and Development
ED	18	Current Cost Accounting
ED	19	Accounting for Deferred Taxation
Future Programme		
		Accounting for Foreign Currency Translations
		Consolidated Accounts
		Accounting for Leases—lessor and lessee
		Accounting for Pension costs
		Post Balance-Sheet Events
		Analysed Reporting.

Under ED 19 most companies' reported post-tax profits will rise by between a quarter and a third, while net assets in the balance sheet will go up by about a fifth. For some companies such as Westland Aircraft, Debenhams and the Bath and Portland Group the change, applied to their 1976 results, increases earnings by between 100 and 250 per cent.

The comment period for ED 19 closes on September 1 next, and it is anticipated that the standard will apply to accounts prepared for all accounting periods beginning after January 1, 1978.

Another standard which has caused some debate but now seems to have been generally accepted by most companies is SSAP 9, which deals with the valuation of stocks and work in progress. The main objection to the standard centred around its requirement that companies should recognise profits on long-term contracts over the period of the contract, rather than on completion, as some construction companies had been doing. Companies which have had to change their bases of accounting for such contracts will almost certainly find themselves with higher tax bills this year. One company which took measures to prevent this happening by the use of a complex tax avoidance scheme was the George Wimpey group.

Before the end of the year new exposure drafts, ED 20 and 21, are expected on group accounts and currency translation. The group accounts proposal will have little practical significance and really arises because of ASC bringing the U.K. into line with the related international standard on consolidated accounts.

Exposure drafts are also in course of preparation on lease accounting, pension costs, and post-balance sheet events, while consideration is being given to the subject of analysed reporting. Apart from all this, research is in progress on six proposed new annual statements from The Corporate Report, ASC's highly controversial discussion paper on future directions in financial reporting. The statements under research are the value added statement, the employment report, statements of money exchanges with Government, statements of transactions in foreign currencies, statements of future prospects and statements of corporate objectives.

M.L.

Firms

CONTINUED FROM PREVIOUS PAGE

Another possibility for some of the larger medium-sized firms is a takeover by one of the major accounting firms. To prove attractive the medium-sized firm would need to have a reasonable list of big clients. Undoubtedly some of the top firms are on the lookout for takeover possibilities, but whether there will be another merger on the Harmood Banner/Deloittes scale remains to be seen.

A few medium-sized firms are only too well aware that they are in a poor position to strike a bargain with any major national firm until they have a fairly attractive client profile and a high level of fees to each partner. One such firm has already merged once in the past few years and is now seeking another in advance of a "merger" with one of the top national firms in a few years' time. One of the biggest difficulties it faces is keeping down the number of partners.

But what of the big firms themselves? It is convenient to begin by looking at the "Big Eight"—the firms which dominate accounting in the U.S. and are also almost certainly the eight largest international firms. These are Arthur Andersen, Arthur Young, Coopers and Lybrand, Deloittes Haskins and Sells, Peat Marwick Mitchell, Price Waterhouse, Touche Ross, and Whinney Murray Ernst and Ernst.

Pool

Of the eight Arthur Andersen is the only one which is not in the top group of British accounting firms, although it is certainly growing very rapidly and is able to exercise an influence out of proportion to its size. It is the only true international accounting partnership with a single profits pool for all partners. Other firms such as Coopers and Lybrand, Peat Marwick Mitchell, and Price Waterhouse are really partnerships of U.K. firms and fairly autonomous U.S., Australian, Canadian, and maybe South African accounting firms, most of which were originally developed from the U.K. Deloitte Haskins and Sells, and Whinney Murray Ernst and Ernst are essentially international partnerships between major U.K. (Deloittes and Whinney Murray) and U.S. (Haskins and Sells and Ernst and Ernst) accounting firms.

All of the "Big Eight," and a number of other accounting firms, now have offices, or are represented by associate firms, in virtually every corner of the Western world. But only one, Arthur Andersen, has an office in Russia.

A review of the major British accounting firms would be incomplete without a mention of firms such as Thomson McLintock, Turquands Barton Mayhew, Josolyne Layton-Bennett, Spicer and Pegler, Binder Hamlyn and Thornton Baker. The first two, McLintocks and Turquands, are certainly among the first group of British accounting firms. Spicer and Pegler also audits a large number of quoted companies and has a strong tradition in Stock Exchange audits.

Thornton Baker is a firm which has grown up by merging together a large number of small accounting firms, and it has offices in almost every significant town in the country. Because of this, and the firm's concentration on small businesses, it is perhaps not surprising that it should have 200 partners and a total staff of 2,300.

Binder Hamlyn is notable for another reason. It is involved in developing what could turn out to be the first really significant European accounting practice along with major Dutch and German accounting firms, Dijker en Doornbos and Deutsche Warentreuhand. The joint firm is called Binder Dijker Otte, and apart from its three main firms it now has offices in every European capital.

Rewards

Finally, let us look at some indications of the total fees and financial rewards for those at the top of the big international firms. Only three of the "Big Eight" have published their worldwide fee income figures. Arthur Anderson reported gross fees of $424m. for 1976. Coopers and Lybrand $431m., and Touche Ross $320m. Price Waterhouse U.S., a firm with 374 partners and total partners and staff of 5,738, recently told the Securities Exehange Commisison that its gross U.S. fees amounted to $221m.

The average partners in PW in the U.S. received a gross salary of $128,000, while the average worldwide partner in Arthur Andersen got $98,337. But these are only averages. The senior partners in the big firms do a lot better than this. For example, John C. Biegler, chairman of Price Waterhouse in the U.S. had a profit share of $341,000 in 1976.

M.L.

EEC directives

WITH all the controversy that is going on in the U.K. about current cost accounting accounting standards, auditing practices and professional disciplinary procedures, it would be easy and no doubt convenient to ignore what is taking place in Brussels. But the significance and increasing imminence of some of the European Commission's proposals suggest that this would not be very sensible.

Already two company law directives have been approved, another is likely to be approved this year, and several more are in the pipeline.

The first of these directives was already in force when Britain joined the EEC. Approved by the Council of Ministers in 1968, it simply provided for a number of basic matters such as the publication of certain company documents and the establishment of company registries.

The second directive, approved by the Council in December 1976, is of greater significance. It applies to public companies and deals with the formation and maintenance of their capital. It will necessitate upwards of a dozen amendments to U.K. company law, and these will have to be enacted within the next two years. While most of these amendments are of a technical nature and relatively insignificant, two will bring about important changes.

Article 6 of the directive lays down a requirement for a minimum capital for public companies of 25,000 units of account (to-day, about £16,000), which means that any existing public company with a capital below this figure will have to achieve the minimum within three years of the legislation taking effect, or else revert to being a private company.

The Department of Trade is currently considering removing the requirement in Section 28 (1) (b) of the 1948 Companies Act that the articles of a private company must limit the number of its members to 50. This would enable existing public companies, such as housing associations, which are unable to increase their subscribed capital to the minimum required and have more than 50 members, to convert into private companies.

Such a move would meet with the approval of the accountancy bodies, which have long campaigned for a legal distinction between proprietorial and stewardship companies. The move would make it a lot easier for the profession to develop auditing standards which would be applicable only to larger companies and may well be entirely unsuited to family businesses.

The second important change which will result from the directive further emphasises the distinction between public and private companies. The directive applies to public companies and it was a condition of its approval that Britain and Ireland would designate their public companies in a way which is distinct from other (that is, private) companies.

The directive which is likely to bring home more than anything else the importance of the company law harmonisation programme is the fourth, on the annual accounts of companies. It should be approved by the end of this year and when in force it will transform the presentation of annual financial statements. The directive is likely to be brought into force by extensive amendments to the second schedule of the 1967 Companies Act.

Concessions

The fourth directive applies to the individual (not consolidated) accounts to both public and private companies, although certain concessions are allowed for the latter.

The proposal contains extensive provisions on the lay-outs of annual accounts, the valuation methods to be adopted in their preparation, the contents of the annual report and provisions concerning the publication of the accounts.

The most striking feature of this directive is its standardised layouts of the accounts—two for the balance-sheet and four for the profit and loss account. These look like railway timetables and are certainly alien to the British tradition. They have had to be accepted, however, for the sake of European harmonisation.

Dragging

Discussions on the fourth directive have been dragging on for about 10 years but agreement has now been reached on all but a few so-called political points. One of the most important of these is a provision in the directive which requires companies which have adopted inflation accounting systems such as CCA to publish detailed historic cost figures as well.

The U.K. has been pressing that as little as possible historic cost information should be required and it argues that the requirement to give any such figures should be dropped after say, five years. West Germany, however, has made it clear that it distrusts any method of inflation accounting on the grounds that it only leads to bad habits.

The fourth directive has undergone four readings in a Council of Ministers' working party, the last of which was in February this year. Matters are now in the hands of the Committee of Permanent Representatives—the member States' ambassadors to the EEC—and assuming it can resolve the outstanding points the proposal will then go before the Council of Ministers for formal approval.

With the fourth directive out of the way, attention is then likely to move to the draft seventh directive on consolidated accounts. Ostensibly this directive simply requires all those EEC countries not at present having it to introduce legislation to make companies publish consolidated accounts. But on closer examination it turns out that what is actually being proposed amounts to a virtual revolution in the basis of accounting, company law, and the rights of shareholders employees and others to receive information about the companies in which they have interests.

Far from adopting the British and widely held international view that ownership of shares in subsidiaries by a holding company is the basis of a group, the Commission has decided that Europe needs something different. The Commission's view, adopted from German law, is that a group exists where two or more companies come under "central and unified management."

The directive is concerned primarily with the group as an economic entity, and it ignores the separate legal status of the individual companies in the group.

Apart from overall consolidated accounts for a complete group defined on this new basis, the directive would also require the following: non-EEC based multinationals to prepare consolidated accounts for all their EEC operations (a so-called "Community" consolidation); sub-consolidations at all levels for sub-groups operating within the EEC; and horizontal consolidations for all EEC businesses which come under central and unified management.

The seventh directive has already been discussed by the Economic and Social Committee and the European Parliament. It next comes before a working party of the Council for a series of detailed line-by-line readings a process which is likely to take at least two years to complete. Once it has been approved by the Council, member States must introduce legislation within 18 months, and the provisions of the directive will have to take effect within a further 30 months.

M.L.

Inflation accounting

IT IS four years since Mr. Peter Walker announced the setting up of the Sandilands Committee, and inflation accounting is still in an untidy mess. The Morpeth Steering Group, successors to Sandilands, recently announced further delays in the implementation of a current cost accounting standard, and it is still an open question as to the exact form which it will take. Indeed, members of the English Institute of Chartered Accountants are threatening to reject the idea of a compulsory CCA standard.

Why is it taking so long to reach general agreement? Essentially it is because the interests of a number of widely differing groups have to be reconciled. Within the accounting profession itself there is a split between those working in large accounting firms, notably as auditors, and those in small firms and employed as accountants and finance directors in industry. Various academics are meanwhile taking a vociferous part in the debate. Whitehall, though deliberately keeping out of the limelight, casts a watchful eye over the whole scene.

It was Whitehall which set up the Sandilands Committee in what was widely assumed to be an attempt to head off the profession's then imminent adoption of current purchasing power accounting. Governments, and more particularly the civil servants behind them, have consistently contrived to avoid anything smelling of general indexation to the retail price index, which has been felt to be the thin end of a far too thick wedge.

This led to the Sandilands Report's amazing assertion that there is no such thing as general inflation, only a set of individual price rises. The report's avowal of a multiplicity of specific price indices was far more to official taste. But it led straight to a head-on confrontation with the big banks, which immediately realised that with monetary items unindexed they might be left in an exposed position when it came to tax relief or profit controls.

The Morpeth Group, given the task of turning the Sandilands recommendations into a workable standard, made the mistake of assuming a greater measure of agreement than in fact existed.

So the draft standard ED18 proved to be a comprehensive document when it might have been wiser to begin with something simpler and phase in further developments over a period of time. In any case the Morpeth attempt to compromise over monetary items by allowing companies to adjust for them if they wished in their appropriation accounts was always unsatisfactory. The clearing banks have again emerged as strong opposition, this time very vocal.

Like the banks, the professional accountants have been in favour of monetary adjustments. They have been deeply interested in the concept of capital maintenance and the profits attributable to shareholders and distributable to them. Such matters are important to auditors who are, after all, responsible to shareholders. But this is much more relevant to large quoted companies than to small private ones. Even within the publicly quoted sector of industry finance directors are torn in several directions.

On the one hand historic cost accounting is a very flattering way of presenting results to the stock market, bankers and other potential sources of finance during inflationary times. Profits rise inexorably skywards almost regardless whatever stresses the balance sheet may reveal. This cosmetic effect is being enhanced by the new standard on deferred tax, whereby companies will effectively only provide for current cost taxes on historic cost profits — thus shedding the rosiest possible statistical light on their fortunes.

Dangerous

On the other hand it is plainly dangerous if company managers actually believe such figures, and so inflation-adjusted results must be available — if only internally. Moreover, high profits can be politically damaging—one reason why the banks are so keen to get something knocked off at operating profit level rather than below the line — and companies need to persuade the Government to continue its tax concessions.

A third point is that inflation accounting involves transitional difficulties and carries difficult learning problems for busy accountants. This naturally makes them suspicious of taking a leap into the unknown.

These conflicting pressures are clearly visible in one of the key submissions—from the Midlands Industry Group of finance directors—to the Morpeth Group following the six-month exposure period for ED18.

The submission urged, first, that historic cost accounting should be retained. The introduction of current cost accounting should be through a supplementary profit and loss account, and only after a number of conditions were fulfilled, such as the Government adoption of CCA for tax purposes, and after a period for trial and error, would CCA be used for the main statutory accounts. Significantly, the Midlands finance directors were unable to reach any consensus on monetary items.

Such submissions have presented striking contrasts to the ambitious ED18. This sought to sweep away historic cost figures altogether within a very few years, and embraced a range of peripheral matters such as leasing and deferred tax as well as basic questions such as asset valuations which themselves were treated in a highly complex fashion.

There have been attempts by some groups to present simplified formulae which would still maintain the substance and impetus of CCA. There has been considerable interest, for example, in the recommendations of the powerful London Society of Chartered Accountants. The suggested method managed to include everything from historic cost figures to current cost returns and monetary adjustments in one p and l account.

But it looks as though the Morpeth Group has been forced to change its ideas substantially. Its immediate task is to cope with well over 500 submissions put to it. In a short time—perhaps next August or September—it proposes to hold a number of public hearings, a radical innovation in the process of developing accounting standards.

Current thinking is that the Morpeth Group will publish a series of papers later this year on various ED18 topics, summarising views and setting out possible courses of action. At this stage it seems clear that historic cost accounting will remain for some time, the CCA figures beginning on a supplementary basis—with the two switched around after, say, two years.

Originally a definitive CCA standard was to have been published on January 31, 1978, with implementation for large companies becoming effective for financial years beginning after July 1, 1978. It is now anybody's guess when a standard will appear, and implementation is provisionally being deferred for the six months to January 1, 1979.

Now the whole process is further menaced by the controversial resolution being proposed by two members of a small Sussex accounting firm at a specially convened meeting of the English Institute. The signs at present are that the resolution, which rejects the introduction of compulsory CCA, could succeed at the meeting on July 6. Although this would not necessarily bind the Council of the Institute, it is hard to see the profession going through with a strong standard and a firm timetable against such widespread grassroots opposition.

So the entire Morpeth Group programme is subject to possibly a complete rethink by the Accounting Standards Committee.

Barry Riley

Planning application 'wrongly worded'

BY IAN BREACH IN WHITEHAVEN

PARTS of the planning application by British Nuclear Fuels for its proposed thermal oxide reprocessing plant at Windscale may have been improperly drafted.

Mr. George Dobry, QC, acting for the Government of the Isle of Man, a principle objector to the proposal, told the public inquiry in Whitehaven yesterday that the initial application a year ago was invalid on three counts.

Re-submission

These were: The application related only to structures of 20 metres high or lower; that appropriate plans had not been exhibited according to the requirements of the Town and Country Planning Act; and that outline planning permission could not be granted for a plant, but only for a site.

Although Mr. Dobry later made plain that he was not calling into question the validity of the inquiry, he asked that Mr. Justice Parker, the chairman, make a decision on the rightness of his submission.

If drafting errors have been committed, the application or parts of it may have to be re-submitted and a new understanding reached between the Department of the Environment and the local planning authority, Cumbria County Council. Mr. Justice Parker may make his views known to-day.

The inquiry is pursuing proofs of evidence submitted by Mr. Arthur Scott, the company's secretary, who has given an outline of employment prospects at an enlarged Windscale plant.

This, he said, might also include a plutonium-reprocessing facility. He re-emphasised the State-owned company's contention that 1,000 more jobs, a 28 per cent. rise in employment, would arise from construction and running of the plant.

'Friends' challenge

Mr. Scott reported that British Nuclear Fuels was studying schemes to create further employment on the Windscale site which would generate more jobs in an area of high unemployment.

The new plant would be in operation by 1979 if planning permission was granted by the end of this year.

His figures were challenged by Mr. Raymond Kidwell, QC, acting for Friends of the Earth, who quoted figures showing that local employment prospects had deteriorated since Windscale had been in operation.

Mr. Con. Allday, the company's managing director, has said that he was pleased with the way his cross-examination had proceeded. Speaking from his home, where he is resting after seven days in the witness stand, he praised Mr. Justice Parker for his "very great grasp of the issues and his perception of each individual point."

794,000 houses unfit to live in

BY STUART ALEXANDER

THE NUMBER of houses unfit for occupation fell by 356,000 in England between 1971 and 1976, according to Department of the Environment. Based on a sample survey last autumn, the Department estimates that 794,000 homes were unfit at that time, compared with 1.15m. in the 1971 survey.

The north and north-west had the highest proportion of unsatisfactory housing. Nearly half the unfit dwellings were in those regions compared with just under a quarter in the south-east and just over a quarter in the rest of England.

North and north-west had the greatest lack of such amenities as an inside lavatory but it was the south-east that had the highest proportion, 7.4 per cent. of homes without hot and cold water at three points — bath, washbasin and sink.

Houses in the north were in worse repair than those in other areas, with 16 per cent. needing working costing £1,000 or over, compared with 10 per cent. in the south-east and 13 per cent. elsewhere.

Over 1m. houses lacked an inside lavatory and 800,000 a fixed bath in a bathroom.

The private rented sector was the one with the poorest conditions, with 15 per cent. unfit and 36 per cent. needing repairs of over £1,000.

Of owner-occupied houses 3 per cent. were unfit and 10 per cent. needed repairs over £1,000.

In best condition were the local authority dwellings, says the survey. Few were unfit and few needed costly repairs.

Freedom of Press being eroded says Shawcross

FINANCIAL TIMES REPORTER

PRESS FREEDOM is being steadily eroded as the U.K. moves towards being a corporate state, Lord Shawcross, chairman of the Press Council, says to-day.

In his foreword to the council's annual report, he calls for "eternal vigilance" and a willingness to fight for liberty which, he says, is taking second place to equality. While the Press in general recognised its responsibilities it would be idle to suggest it always did.

The sex equals circulation equation was "a pity," and snide techniques still continued "even in so called quality newspapers." Gossip writers should be more prepared to "do unto others as they would be done by."

Overall the Press Council was operating fairly and well. In the 12 months to the end of June, 1975, the period covered by the report, the number of cases it dealt with was up by nearly 20 per cent., to 440. Complaints upheld rose from 30 per cent. on the previous year's to 58 per cent.

The report expresses regret that Sir Harold Wilson chose not to assist the council in following up his allegations during the autumn 1974 general election campaign that "cohorts of distinguished journalists were combing obscure parts of the country in a search for anything true or fabricated which could be used against the Labour Party."

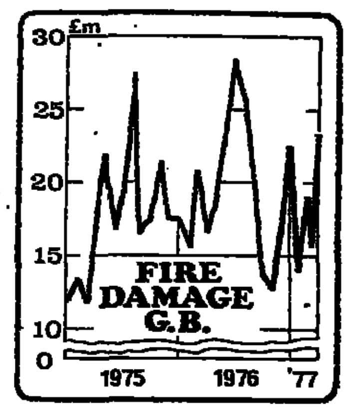
This was followed by a statement that police inquiries were taking place, but Sir Harold refused to put his case to the Press Council.

"Not only that, but the terms in which he dismissed the suggestion (to put the case to the Press Council) were deliberately provocative," says the review. It quotes Sir Harold as saying "Neither the constitution nor the record of the Press Council would justify using them in any such inquiry."

However, the council promises to initiate its own inquiry in the light of Sir Harold's evidence to the Royal Commission on the Press.

Press Council Annual Report, Press Council, 1 Salisbury Square, London, EC4Y 8AE. £1

Cost of fire damage up £7.7m.



FIRE DAMAGE in Britain jumped by £7.7m. to an estimated £23.3m. last month, according to figures yesterday by the British Insurance Association.

The total was £5m. higher than a year before and reverses the trend of falling fire damage costs on a year-on-year basis seen in the previous three months. It brought the overall total damage for the first five months of 1977 to £94.4m., against £88.9m. in the corresponding period of last year.

Fires at two warehouses accounted for nearly a quarter of May's damage. One in the North East caused damage of around £4m., and once in the North West £1m.

There were 13 other fires last month where damage in each case was in excess of £200,000 and 105 losses each in excess of £25,000. Premises involved in the latter included 37 used by the public.

Builders face slump next year

BUILDING INDUSTRY output next year is expected to sink to its lowest level since 1963, but a slight upturn of 2 per cent. can be expected in 1979, according to the midyear forecast of the National Council of Building Material Producers.

This year output is expected to be 5 per cent. lower than last, with a further fall of 0.5 per cent. in 1978.

New work is expected to fall by 7 per cent. this year and by a further 1.5 per cent. in 1978. In 1979 new work is expected to pick up by 2.5 per cent.

The forecast says orders for house-building in the public sector during the first four months of this year were 38 per cent. down compared with the same period last year.

Prospects for the second half of the year are better, and the market is already improving in the South-East—an area which normally heralds an upturn in the private house market.

The private industrial sector has the most optimistic forecast; orders here for the first four months of 1977 were 40 per cent. up on the same period last year, and output in the first quarter was running at over 14 per cent. up on the first three months of 1976.

Overall output in 1977 is expected to rise by 4 per cent with a 7 per cent. increase in 1978, and a similar rise in 1979.

Petrochemical plant to be sited at Strathclyde beauty spot

A FIVE-YEAR plan to counter population decline and high unemployment in Strathclyde, Scotland's biggest region, was published yesterday.

It includes the building of a giant petrochemical plant in the beauty spot Glen Fruin near Loch Long. This would give the area a stake in the oil indusry with high employment potential, says the regional council.

The draft plan, after public discussion, will go to the Secretary for Scotland for approval later this year.

The plan also designates sites for the pharmaceutical industry at Irvine, marine engineering at South Hunterston and metal manufacturing at North Hunterston, all in Ayrshire.

Migration, say the planners, is a major problem. The 2½m. people in Strathclyde will drop to 2.37m. by 1983 and by then there will be a surplus of council houses in Glasgow, a major area of population decline.

Councillor Charles Gray, the region's planning convener, admitted yesterday that if nothing was done the region's 10 per cent. unemployment rate would probably be solved by migration alone by 1983.

The plan switches emphasis from public to private housing. It recommends building 6,680 private houses in the Glasgow district by 1983 and urges that some sites earmarked for public housing should be transferred to private developers.

On shopping, the plan comes out against hypermarkets and large stores and says that retail discount warehouses should be considered only within existing shopping centres.

Labour policy on jobs attacked by Scots MP

BREAKAWAY Labour MP Mr. Jim Sillars claimed yesterday that the Government economic policies would have brought working people "to the point of revolt" if they had been carried out by a Tory rather than a Labour Government.

In a bitter attack on Government policy and on high unemployment he called on the trades union movement to mount a campaign to persuade the Government to return to its election pledge — "the right to work."

Mr. Sillars, MP for South Ayrshire, and leader of the breakaway Scottish Labour Party, made his attack in Glasgow at the launching of his party's latest industrial newsletter, which is to be sent to trades councils, the Scottish TUC, and 2,000 factories throughout Scotland.

Farms and fish are key to Highlands' prosperity

FARMING AND fishing are the key to the economic health of Scotland's highlands and islands in spite of the wealth of North sea oil.

This is the main conclusion of the Highlands and Islands Development Board annual report for 1976, published yesterday.

Underlining the importance of land use, Professor Kenneth Alexander, chairman, points out the board has acquired an experimental commercial deer farm, whose establishment will be an important part of [illegible] during 1977.

If the Board has its way, the public will have to acquire a taste not only for venison but for new deep sea fish.

It attaches great importance to the exploitation of species which fill the under-fished waters west of the Hebrides and has accelerated work on how best to exploit them.

The report says nearly 8,000 people were out of work during 1976. Existing oil related developments have probably reached their peak and jobs on some projects had ended.

Regular electricity for remote island

THE TINY Hebridean island of Colonsay has got its first regular electricity supply—thanks to a three-week Army operation.

Exercise Revolt, in which Royal Engineers regulars worked alongside territorial Army volunteer reserves, has provided the remote island, owned by Lord Strathcona, with two brand-new power stations.

The diesel-powered generator stations, formally switched on on Wednesday, replace a variety of generators brought to the island by Lord Strathcona's father in the early 'fifties and now in varying stages of decay.

Half the £25,000 cost was met by the Highland and Islands Development Board with the rest coming from local authorities and a £20-a-head levy on the locals.

The Army installed the equipment and put up nearly 40 poles to carry two miles of cable free as a training exercise.

The exercise marks a first for the Army which with territorials and islanders has devised a novel approach to providing power to isolated communities where costs would normally be prohibitive.

The supply will be run by the Colonsay Community Electricity Association, a non-profit-making limited company largely run by the islanders.

The Rev. Ron Crawford, the island minister, said: "We have always had electricity, but this gives us a better, more reliable, supply. Before it was very limited."

The work was carried out by 34 regular sappers from several RE Regiments and 21 territorials from a TAVR team of power experts.

The equipment was ferried to the island by tank landing craft from Benbecula. Many of the territorials, Electricity Board workers, engineers and mechanical experts took their annual holiday to perform the exercise.

Chemical sales last year rose to £11bn.

U.K. CHEMICAL industry sales last year were an estimated £11bn. according to a leaflet published yesterday by the Chemical Industries Association. This compares with £8.9bn. in 1975.

In value-added terms, the industry is the third largest in the U.K. after food/drink/tobacco and mechanical engineering.

The leaflet shows the chemical industry grew 3.3 times as fast as the rest of U.K. industry in the 10 years to 1976. By comparison, the ratio in West Germany was 1.7, in France 1.3, in the U.S. 2.2, and in Japan 1.1.

U.K. Chemical Industry Facts—1977. CIA Publications, 93, Albert Embankment, London SE1 7TU. Free

HOME NEWS

Tobacco groups poised to launch substitute cigarettes to-morrow

BY STUART ALEXANDER

DISTRIBUTION of the new cigarettes containing cellulose substitutes begins to-night for to-morrow's launch of 11 new brands by the three main tobacco manufacturers.

The culmination of many years' research and a total investment of over £40m., the new brands are being heavily promoted. It is expected that £4m. will be spent in advertising over the initial four-week period.

Three brands each are being introduced by the two subsidiaries of Imperial Tobacco, W. D. and H. O. Wills and John Player. A further three come from Gallaher, and two from Rothmans.

The Imperial brands will contain 25 per cent. NSM (new smoking material) developed jointly with ICI and being produced at a new factory in Ardeer, Ayrshire.

Both Gallaher and Rothmans are using Cytrel, developed by the Celanese Corporation of America, again at 25 per cent., though one of the Gallaher brands, Silk Cut Ultra Mild, will contain 40 per cent. substitute.

Two of the brands will be in the low-to-middle tar bracket, and the rest in the low tar bracket, according to Government definitions. There will be no price advantage for using substitutes and packets carry the health warning. All the new brands will be available only in packs of 20. None will offer coupons.

Manufacturers were given clearance to use the substitutes by the Independent Scientific and Medical Advisory Committee (the Hunter Committee) on April 1.

But at the time the committee would go no further than to say that the substitutes were no more damaging than tobacco.

It also said that a condition for use should be the setting up of long-term studies into the effects on human health of smoking cigarettes containing substitutes. The terms of these studies are imminent.

The industry expects a high trial rate for the new blends—Wills, for instance, is sending out 250m. of them as is Gallagher, and the advertising campaigns will be backed by widespread sampling teams. Imperial is also offering a free pack for every five smoked.

Difficult

Cigarettes containing the wood-pulp cellulose substitute have been tried in West Germany by BAT Industries and in Switzerland by Rothmans. In Germany they failed badly and in Switzerland have only a tiny market share.

The British market has been better prepared and is regarded as the real test. Success here will mean export orders for both NSM and Cytrel. Failure will be a big setback to the products worldwide.

The companies claim that the new materials produce much less tar than tobacco and that the tar produced is less biologically active.

Gallaher said yesterday that its Silk Cut King Size and Number 3 with the substitute would deliver about two milligrammes of tar less than the all-tobacco equivalents.

The cigarettes themselves have had to overcome some difficult design problems caused, in the early stages, by a tendency for the ash to scatter easily.

Meanwhile the signing of the latest voluntary agreement on advertising practice within the tobacco industry has been held up because of part of the campaign for substitutes.

Health claims and the exclusion of the health warning because no brand was being advertised have been strongly challenged both by rival manufacturers and by Action on Smoking and Health, the anti-smoking lobby.

In other discussions with the tobacco industry on sports sponsorship there are increasing signs that the Government may be forced to legislate if disagreements over key areas such as racing cars are not resolved.

Terry Kirk

EEC leaders leave 10, Downing Street, yesterday after an afternoon of talks for a further session at Lancaster House. Left to right they are Mr. Liam Cosgrave (Ireland), Sig. Giulio Andreotti (Italy), M. Giscard d'Estaing (France), Mr. James Callaghan, Herr Helmut Schmidt (Germany, Ankar Jorgenson (Denmark) and Mr. Joop Den Uyl (Holland).

Whitehall at odds with oil companie

By Ray Dafter, Energy Correspondent

OFFSHORE OIL operators may be heading for a fresh confrontation with the Government.

The North Sea oil companies are openly angry that they appear to have been left out of the proposed Energy Commission being set up to advise the Government on energy strategy. And, more privately they are concerned that no oil is flowing in substantial quantities Mr. Anthony Wedgwood Benn, the Energy Secretary, will begin to apply new restrictions on production.

The Department's tough stance in shutting down a Brent Field platform until gas injection equipment is installed has surprised the industry.

Company officials yesterday said it may not have been coincidence that the directive was announced on the same day that it was revealed offshore fields were already meeting half of Britain's oil needs.

The Department of Energy gave a further indication of its harder line yesterday when it confirmed it would not allow production from the Piper Field to exceed agreed limit until the operators have an acceptable gas recovery programme.

Piper, operated by the Occidental Group, is yielding oil at the rate of 220,000 barrels a day. It is due to reach the designated peak output of 250,000 b/d by the end of September but progress on the field indicates that it could produce oil at much higher rates.

It is known that Occidental is planning both a new production profile and a scheme for recovering the large volumes of associated gas which is now being flared and wasted.

lasted more than 12 days.

The company said yesterday: "We are having discussions with the Government on certain aspects of the Piper and Claymore Fields." Some of the gas from Piper is due to be piped to the neighbouring Claymore platform—also operated by Occidental—where it will be injected into the field.

In this way it is hoped that Claymore's oil production will be enhanced. But Occidental and its partners are still left with the problem of capturing and making use of the rest of the gas.

Expertise

At the same time the U.K. Offshore Operators' Association said it was disappointed that the Government had not recognised the importance of North Sea oil companies in the establishment of the Energy Commission.

The association which was not mentioned as a potential member of the 22-man commission, said that it represented that part of industry which would be producing over half of Britain's total energy requirements during the next two decades.

Oil companies would have invested about £10bn. in the North Sea by 1980. As a result, the association was in a position to provide information about exploration, development and financing. "We feel that Mr. Benn has not recognised what the members have done in the past and will do in the future," said Mr. George Williams, its director-general.

As constituted, the commission will rely on the British National Oil Corporation, British Gas and the Petroleum Industry Advisory Committee for offshore expertise. It is understood that PIAC, an organisation representing downstream activities, has told the Government it is not in a position to represent the U.K. Offshore Operators' Association.

The offshore operators are likely to make further representations to the Government. "We hope the door will be left open," said Mr. Williams.

The Department of Energy said it could not comment until the full composition of the commission had been determined. It pointed out that seven seats—reserved for consumer and industry representatives—had still to be filled. Whether the U.K. Offshore Operators' Association is eligible for one of these seats is unclear.

Whether or not Mr. Benn and his officials plan to tighten operating conditions in the North Sea should become clearer within the next month or so.

More people use U.K. airports

By Michael Donne, Aerospace Correspondent

THE NUMBER of passengers using U.K. airports continues to rise. During May over 3m. passed through the seven airports owned by the British Airports Authority, including Heathrow and Gatwick. That was 4.8 per cent. more than 12 months before.

Traffic at Heathrow during May amounted to just over 2m. passengers, a rise of 5 per cent., while traffic at Gatwick advanced by 12 per cent. to reach over 5,000, reflecting the growing use of that airport as an alternative to the increasingly congested Heathrow.

A significant feature of the May figures is that the growth in the number of aircraft movements was much smaller, at 2.8 per cent.

For the 12 months to the end of May, the BAA's airports handled a total of 34.14m. passengers, 7.8 per cent. more than in the previous year, with the number of aircraft movements rising by only 2.8 per cent. to 450,900.

Cargo also showed encouraging results during May, with traffic at the BAA's airports rising by 13.8 per cent. to reach 53,500 tonnes.

'Lutyens' house dispute ends happily

THE High Court dispute over Mr. Paul Wates' £385,000 house in Surrey was settled yesterday. Mr. Wates, 29, a director of the building company of the same name left the court "happy with the outcome" after a settlement on undisclosed terms.

He had told the court he bought the house at Dorking in 1972 believing it to be the work of Sir Edwin Lutyens, the renowned architect. Later he discovered it was the work of a lesser-known architect, Mr. Philip Tilden.

He sued the vendors, Mrs. Vida Schreiber and Mr. George Beaumont Grant, executors of the late Mr. Derek Schreiber, and London estate agents Strutt and Parker, claiming that he had paid more than he should.

Outside court, Mrs. Schreiber, who lived at the house for many years with her late husband, said she also was pleased with the settlement, because her name had been cleared of any suggestion that she had deliberately misled Mr Wates.

"We genuinely believed it was the work of Lutyens, as we had been told. He was the son-in-law of Lady Rosamunde Ridley, for whom the property was built."

Ministry talks on chemists' profit margins

Financial Times Reporter

HUNDREDS OF elderly chemist contractors are unable to sell their businesses because they are uneconomic. Yet they cannot retire because their life savings are locked up in them, Mr. Bob Worby, new chairman of the Pharmaceutical Services Negotiating Committee, said yesterday.

A further meeting on net profit margins was to be held with Mr. David Ennals, Secretary of Health, next week, said Mr. Worby, and he welcomed his sympathetic response.

But if the time came when all reasonable approaches had been rejected, "then the profession should, and without doubt will, react more appropriately and in unison."

ICI plans new £7m. alumina fibre plant

BY RAY DAFTER

IMPERIAL Chemical Industries is to spend £7m. on a new plant to produce alumina fibre. The factory, at Widnes, will come on stream in the second half of 1979.

The high temperature inorganic fibre is mainly used as a hot-face lining for furnaces in the steel, forging, ceramics and chemical industries. The product represents a relatively new field of activity for ICI.

It was introduced in 1974 and by the end of April this year more than £1m. worth had been sold, half of this amount in the latter seven months. ICI expects sales to reach £2m. by next April.

The company has increased manufacturing facilities since 1974. For example, capacity is being doubled this year.

ICI claims that, when compared with refractory bricks, the fibre reduces furnace fuel costs and improves productivity by more than 50 per cent. in some cases.

Exports account for 70 per cent. of production. The U.S. is the main overseas market taking about 45 per cent. of the export sales.

The fibre is sold both by ICI through its world-wide network of sales offices and by Babcock and Wilcox in the U.S. together with its licencees.

Discount markets stress City aid for industry

BY MICHAEL BLANDEN

THE LARGE contribution the City's money markets make to finance of industry's short-term needs for working capital is emphasised in the discount market's submission to the Wilson Committee on the City.

The London Discount Market Association's first submission underlines the revival in the last 20 years in use of bills of exchange, "which has received much of its impetus from the members of our association and from the accepting houses."

The association says that provision of funds for industry, the main topic being examined by the committee, should not be taken merely to mean new money for development and capital investment but also flexible availability of funds for working capital.

Volume of commercial bills handled by the discount market has risen almost 20 times from £152m. quoted by the Radcliffe Report for the end of 1956, to nearly £3bn. at the end of last year.

"This fact alone is sufficient testimony to the diligence with which we have sought to provide finance for industry and commerce on an ever-increasing scale, whether it be for exports, imports or to support domestic trade."

The evidence describes the character of the bill business, emphasising the basic criterion that bill finance should be self-liquidating.

No date for Concorde service to Australia

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS is still planning to start Concorde services to Australia in the first half of 1978. But a firm date has yet to be decided.

The airline said in Sydney yesterday that, while the Australian Government approved Concorde flights to Melbourne in principle some time ago, detailed discussions on such matters as flight frequencies had still to be settled with the Government and the national airline, Qantas. These had been delayed by uncertainties over the start of services to New York.

Another element in the situation is supersonic overflying rights in India. This is still under discussion with the Government there.

The problem of rights into New York also still wide open, with the attitude of the Port of New York Authority still subject to legal action in the U.S. courts.

One possibility now is that Concorde may not be able to win legal approval for flights to Kennedy until after October. This is because the Supreme Court is about to rise for its summer vacation and will not resume sittings until that month.

Since any decisions in lower courts are certain to be challenged and taken to the Supreme Court, the chances of passenger flights starting before the autumn now seem remote.

Norton offer may break pay-out deadlock

BY PETER CARTWRIGHT

UNSECURED CREDITORS of Norton Villiers Triumph, the Wolverhampton motor-cycle and industrial engines concern closed some two years ago, should be able to participate in distribution of what remains of the assets through an offer expected to break the existing deadlock.

Mr. Dennis Poore, NVT chairman, confirmed yesterday that an offer of £70,000-£80,000 to settle wage claims by the 1,600 former employees, is being negotiated with the unions concerned.

The ex-workers are entitled to a week's wages and as preferential creditors it is only when they have been satisfied that the claims of unsecured creditors are considered.

The former employees originally claimed about £750,000 in severance, holiday pay, and other claims, which they will be pursuing as unsecured creditors.

Life line phone

LIFE LINE, a new 22-minute colour film from Post Office Telecommunications shows a wide range of telephone aids designed to help handicapped people. Produced by Pacesetter Productions in 16 mm. and 8 mm. sizes, and in video cassette format it may be borrowed gratis.

Bamford is investing £6.7m. to stay ahead

By Kenneth Gooding

J. C. BAMFORD, the construction equipment group, has started a £6.7m. capital investment programme at its Rocester, Staffs, headquarters.

Some £4.5m. will be spent on machine tools, though the present average age of machine tools at the plant is under five years.

The company has also committed itself to spending £1.9m. on research and development as part of the current investment programme.

Mr. Anthony Bamford, chairman and managing director, said yesterday that the aim was "to increase our competitive edge two years from now. The investment will increase the efficiency of our present capacity, something we must do, if we are to keep ahead of the big American companies, which are our major international rivals and which have the benefits of volume production in their home market."

JCB's output per employee last year was £44,000—four times the industrial average in Britain and over twice the American average. Capital investment per employee at the end of 1976 was £11,375, all financed out of retained profits.

Mr. Bamford said the company expects to push up sales from the £65m. in 1976 to £95m. this year. In 1976 some 4,960 units were produced, below the 1973 peak. This year unit sales should reach 6,600.

The growth would come from increased exports—last year export sales at 57 per cent. of value overtook the home market for the first time—and better sales of the heavier machines.

Recently revamped U.S. operations should bring sales of about 400 units.

'Tell public of asbestos danger'

By David Freud, Industrial Staff

AN EDUCATION programme is needed to convince shopkeepers and builders' merchants of the danger of white asbestos, the Consumers' Association, publishers of Which?, said yesterday.

The association told the Advisory Committee on Asbestos on the final day of a three-day public hearing in London that many shopkeepers believed only blue asbestos to be dangerous, with white comparatively safe.

This view had been fostered by the industry's publicity material, the association alleged.

The voluntary scheme to warn the public of the dangers of asbestos was not working. Unless the trade could reverse the situation within six months, the use of labels and the issue of warning instructions when selling products should be made compulsory.

Mr. Bob Day, on behalf of the Asbestos Cement Manufacturers' Association, said: "Of all the asbestos products used to-day, asbestos-cement is the safest to manufacture, the safest to use and the safest to the general public."

He was supported by Mr. Arthur Pettifor, a senior official in the Transport and General Workers' Union and works convenor in an asbestos-cement factory, who said in his opinion the official two fibres per cubic centimetre dust level standard was safe.

Tilbury timber berth scheme

By Our Shipping Correspondent

THE PORT of London Authority is to spend £500,000 on improving its packaged timber berth at Tilbury. The work includes the provision of a new transit shed and a wider quay apron.

Additional engineering facilities and new offices are included in the scheme which also involves the demolition of existing sheds to give a wide unobstructed quay.

PLA's forest products terminal is expected to handle more than 200,000 tonnes of wood this year.

Scott Lithgow docks to be nationalised

BY ROY ROGERS, SHIPPING CORRESPONDENT

THE nationalisation of Scott Lithgow Drydocks and revised Government financial support for Govan Shipbuilders were announced yesterday by Mr. Gerald Kaufman, the Industry Minister.

The two moves are a clean-up operation before the shipbuilding industry is formally nationalised and vested in British Shipbuilders to-morrow.

In a written Commons reply, Mr. Kaufman said the ship-repairing facilities of Scott Lithgow would be vested along with the remainder of the group of which it was "an integral part."

Mr. Ross Belch, Scott Lithgow managing director, has been pressing for inclusion of the dry docks for some time. Other ship repair yards which are expected to be included are P & O's R. and H. Green and Silley Weir facilities at Falmouth and London and those of the privately-owned London Graving Dock. Negotiations between British Shipbuilders and P & O and the London Graving Dock have been under way for several months.

Past losses

In a separate written reply the Industry Minister said he proposed to convert £14m. of Govan's outstanding Government loans into shares so that the Government's equity investment will equal the direct assistance given to the company. The remaining £9.25m. of the loan at present outstanding will be converted to a grant to meet past losses.

He will also pay Govan Shipbuilders the remainder of its unpaid losses as at June 30, 1977, some £6.6m., as a grant.

Yesterday also saw the launch of the Shiprepairers and Shipbuilders Independent Association which will cater for the ship repair and building companies which are not being nationalised. These 70 companies were members of the Shipbuilders and Repairers National Association which will be disolved at a meeting to-day.

Catherwood says exports must build on success

BY LORNE BARLING

EXPORTS must build on success both in terms of product and markets, Sir Frederick Catherwood, chairman of the British Overseas Trade Board, said yesterday.

He told a Commons select committee on overseas development that it was clear that sophisticated markets were generally more suited to British products.

Although it might be desirable in terms of aid to sell more goods to the poorer developing countries, it remained up to the companies concerned where they sold their goods.

He believed that export performance in general could benefit from the Government's industrial strategy, and talks with the National Economic Development Office on this had taken place.

In particular the Trade Board was examining export performance of the textile industry, and seeking reasons for some of its failings. It was hoped that similarly studies of the engineering and chemical industries would be carried out.

Capital Annuities policyholders get £1.1m. under interim plan

BY ERIC SHORT

THE Policyholders Protection Board paid £1.1m. to some 3,200 policyholders with Capital Annuities, the life company at present in provisional liquidation, in the 12 months to March 31, the Board's annual report reveals.

These payments were made under an interim scheme arranged by the board whereby policyholders would receive 70 per cent. of benefits due under their contracts with Capital Annuities. In April and May a further £141,000 was paid out under this scheme.

The board was established in November, 1975, under the Policyholders Protection Act, 1975, which is concerned with protecting policyholders in the event of an insurance company running into difficulties.

The Act provides that policyholders should receive 90 per cent. of the benefits under the policy if they are not considered excessive. But the board has the power to arrange interim payments while the winding-up procedures are going ahead.

£1.5m. levy

The board finances its activities through a levy on insurance companies' premium income. It made a levy in August, 1976, of ½ per cent. of premium income received in 1975 on life policies effected in that year. That raised £1.5m. which covered the interim payments and administration expenses.

During the year to March 31, the board's income totalled £1.57m. from the levy and bank interest. Expenditure was £1.15m. and after taxation £382,000 was carried forward. Payments to policyholders in the current year are expected to be much lower and the board does not envisage making a levy in the year to March 31, 1978.

The board also administered an interim payment scheme for Fidelity Life policyholders while the affairs of that company were sorted out. A total of £1m was paid to some 4,000 policyholders, but the money came from the resources of Fidelity Life. This company is now being administered as a closed fund by Norwich Union Life Insurance Society.

Report favours car pooling

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

CAR POOLING should be fostered to give people access to cars while reducing the actual number of vehicles on the roads, the Socialist Environment and Resources Association says in a report published yesterday.

The report, published two days after the Government's Transport White Paper, argues that if such a scheme were adopted in alliance with greater spending on buses and railways, it would "liberate people from their cars," save energy and contribute to a transport policy which fully reflects land-use needs and industrial requirements.

Growing mobility had been fostered by bad planning decisions forcing people to travel further for amenities such as shops, hospitals and recreation.

In goods transport, the fact that the annual tonnage of freight carried remained static while traffic mileage (measured ton-miles) grew by 20 per cent. between 1964 and 1974 showed that industry was centralising and passing the costs on to the community by demanding more roads.

Transport, Politics and the Environment. SERA, Tidy's Cottage, School Lane, West Kingsdown, Sevenoaks, Kent. 17p.

Plea for North-West road works

BY OUR NORTHERN CORRESPONDENT

A WARNING that economic recovery in the North-West could be seriously delayed by failure to complete the road network in the region is given in a report published yesterday by the North-West Roads Groups.

It claims that despite the development of an advanced network of motorways in the area over the past 20 years there are still 60 miles of gaps to be filled in which are vital for the region's development.

The North-West roads report comes shortly after publication of the Government's own transport strategy in which road building is to receive lower priority.

ACCOUNTING STANDARDS COMMITTEE STATEMENT

Current cost accounting progress

THE ACCOUNTING Standards Committee has noted that a special meeting of the Institute of Chartered Accountants in England and Wales will be held on July 6, 1977, to consider the resolution "that the members of the Institute of Chartered Accountants in England and Wales do not wish any system of current cost accounting to be made compulsory."

Reports indicate that the resolution is likely to receive substantial support.

This is a matter which deeply concerns the Accounting Standards Committee. To be effective, accounting standards must be generally acceptable to all preparers and users of accounts, not only within the accounting profession but in the business community generally.

Recognition of this fact is fundamental to any standards which ASC proposes for promulgation by the accountancy bodies.

It follows that ASC could not propose a definitive standard on CCA for promulgation by the accountancy bodies until it considers this criterion has been satisfied.

It is clear from a first review of the 650 comments on ED 18 received by the Inflation Accounting Steering Group there is wide acceptance of the proposition that rapidly changing price levels distort the results shown by accounts drawn up on the conventional historical cost basis, and that the effect of these changes should be calculated and disclosed.

But it is equally clear from the comments (including those made by the councils of the accountancy bodies which will have the ultimate responsibility for a statement of standard accounting practice) that substantial simplification and modifications of ED 18 will be necessary before ASC can propose to the accountancy bodies a generally acceptable system of CCA for introduction as standard practice.

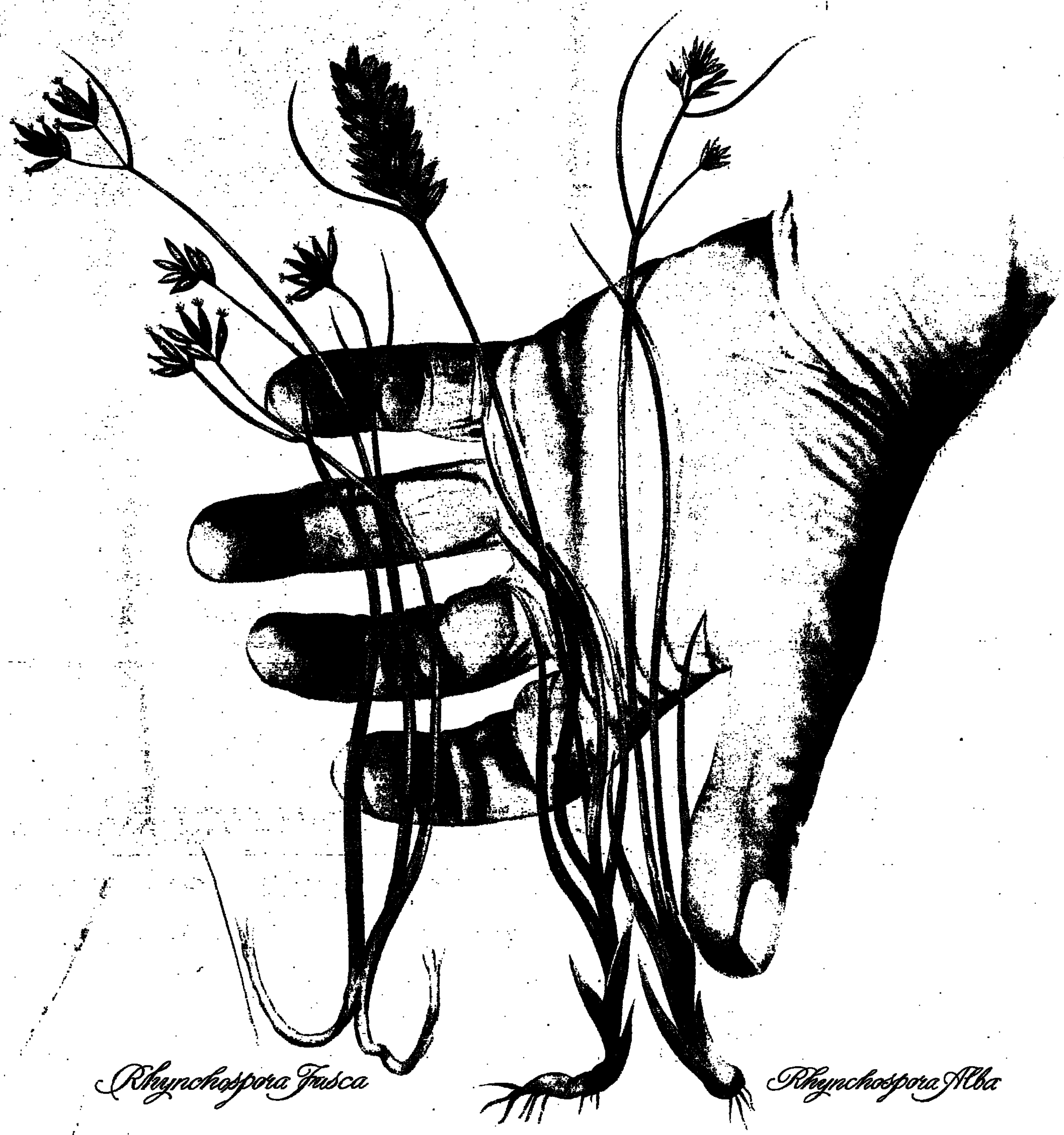
Until the comments on ED 18 have been fully assessed, the nature and extent of the potential changes cannot be determined.

But ASC accepts adequate opportunity and time for public appraisal of their effect will be needed before ASC makes definitive proposals to the councils of the accountancy bodies.

ASC has not altered its view that a generally acceptable system of current cost accounting is urgently necessary.

The introduction of such a system as soon as practicable having full regard to the comments on ED 18, remains its objective.

Objective investment advice in agricultural property depends



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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● RESEARCH

Car turbines a step closer

ASEA HAS signed an agreement with Volvo's subsidiary United Turbine, Malmoe, under which the two companies are to develop automotive gas turbine parts with the aim of achieving more efficient gas turbines for passenger cars.

United Turbine and ASEA's central research and development department will work on the improvement of methods for forming ceramic turbine parts developed by ASEA after several years of research in its high-pressure laboratory at Robertsfors in the north of Sweden. This is the centre where isostatic Quintus presses capable of applying 2m. psi and more have been developed.

Volvo's automotive gas turbine is a three-stage turbine based on the Swedish KTT concept (Kronogaard Turbine Transmission system).

Research and development work on automotive gas turbines has been going on for several decades in different parts of the world. Increasingly stringent auto emission standards and the desire to reduce specific fuel consumption have led to a growing interest being shown in the use of ceramics for critical turbine parts.

The superalloys in use to-day cannot tolerate operating temperatures in excess of about 1,000 degrees C. Ceramic materials withstand considerably higher temperatures, which could lead to a major reduction in the fuel consumption of the gas turbine. Intensive competition is going on between the automotive and the gas turbine industries throughout the world with the aim of solving the troublesome production problems.

Considerable interest was consequently aroused when ASEA disclosed in March this year at the International conference of the Society of Automotive Engineers held in Detroit, its method of forming, under high pressure, ceramic components which retain their high strength at temperatures up to 100 degrees Centigrade.

The Quintus press is used to preform the component (green body), using silicon nitride powder. Through the use of hot isostatic pressing (HIP) at a high temperature, it is possible to obtain fully dense compacts with close tolerances and good surface finish.

The high-pressure laboratory at Robertsfors has so far produced small ceramic parts of relatively simple shape, but this method will now be further developed, in co-operation with United Turbine, for the fabrication of, for example, the blades and vanes of automotive gas turbines.

Contact ASEA, Villiers House, 41 Strand, London WC2N 5JX. 01-930 5411.

● COMPONENTS

Zilog extends its micro support

MOVING quickly along the path predicted earlier this month by chairman Federico Faggin, Zilog has launched its RIO (Relocatable Input/Output Operating System) which is a dedicated input-output management subsystem with a new set of monitor chips and system discs for use with Zilog's disc-based microcomputer system.

The RIO comes in two versions, one for upgrading the Zilog Development System and the other for use in the Z80-MCS (micro).

The Z80 MCS with RIO becomes a general purpose computing system for development and integration of a user's programs into a production environment. The user then has a choice between executing these programs in either a simple environment with a minimum of system support or in an enhanced environment which provides access to an assortment of system support activities including the Zilog disc operating system.

Data transfer to and from all peripheral drivers is in a standardised format and the executive encourages the use of disc file content interchangeably with operator commands at the console for system control. This has the advantage that it would be possible to use a disc file to control a system as though the commands were coming from an operator which is seen as particularly useful in turnkey or unattended operations.

Zilog (U.K.), Nicholson House, Maidenhead, SL6 1LD, Berks. (0628) 36131.

U.K. ECONOMIC INDICATORS

General	1977 June	1977 May	1977 Apr.	1976 June	1976 May
Unemployment ('000s)	1,450.1	1,341.7	1,392.2	1,332.6	1,271.8
Unfilled vacancies ('000s)	168.8	165.4	155.7	127.0	124.4
	May	Apr.	Mar.	May	Apr
Currency reserves ($bn.)	9.9	10.13	9.62	5.42	4.84
Basic materials (1970=100)	348.1p	349.1p	347.4	292.0	286.3
Bank advances (£bn.)	15.879	15.915	15.907	14.309	14.196
Manfrd products (1970=100)	259.6p	255.1p	250.8	214.8	211.5
Terms of trade (1970=100)	80.9p	79.6	80.2	79.5	80.0
Retail prices (1974=100)	181.7	180.3	175.8	155.2	153.5
Wage rates (July 1972=100)	225.4	224.6	223.9	210.5	208.8
	Apr.	Mar.	Feb.	Apr.	Mar
HP debt (£m)	2.782	2.737	2.691	2.320	2.297
Industrial output (1970=100)	103.2	103.1	104.0	102.4	102.0
Retail sales value (1971=100)	219.5	215.8	218.1	195.3	188.3

Trade and Industry	1977 May	1977 Apr.	1977 Jan.-May	1976 May	1976 Jan.-May
Steel weekly average ('000 tonnes)*	389.8	380.4	410.9	468.6	444.3
Imports (fob) (£bn.)	2.860p	2.736	2.801	2.383	2.106
Exports (fob) (£bn.)	2.616p	2.635	2.533	2.009	1.874
Visible trade balance (£bn.)	−0.244p	−0.219	−0.266	−0.374	−0.257
	Apr.	Mar.	Jan.-Apr.	Apr.	Jan.-Apr
Cars ('000s)¶	126	93	108	111	115
Commercial vehicles ('000s)¶	31.0	34.9	34.4	30.4	31.3
Bricks (millions)*	400p	490	423	467	456
Cement, weekly average ('000 tonnes)*	296	301	268	303	293
Furniture (1970=100)††**	135p	158	157	151	157
Houses completed ('000s)	23.6	25.0	22.7	25.9	25.4
TV sets ('000s)‡‡	194	225	209	170	181
	Mar.	Feb.	Jan.-Mar.	Mar.	Jan.-Mar.
Man-made fibres (m. kgs.)*	55.5	50.3	51.6	54.1	53.25
Radios, radiograms ('000s)‡‡‖s	367	366	499	248	368
Raw cotton, weekly average ('000s tonnes)§	2.07	2.46	2.3	2.27	2.33
Petroleum (m. tonnes)h	7.654p	7.072	7.500	7.979	7.509
Hosiery (1970=100)	98p	104p	105	90	97
Washing machines ('000s)†	90.6	102.5	87.2	74.7	80.3
Engineering orders on hand (1970=100)**	92	92	91.7	93	94.7
	Feb.	Jan.	Jan.-Feb.	Feb.	Jan.-Feb
Machine tools (£m)‡	31.2p	36.9p	34.1	30.4	30.1
Electric cookers ('000s)f†	92.3	87.3	89.8	88.0	75.1
Raw wool (m. kilos)§	10.2	10.3	10.2	9.6	9.8

	1977 1st qtr.	1976 4th qtr.	1976 1st qtr.	1976 Year	1975 Year
Consumer spending (£bn. 1970 values)	8.740g	8.955	8.876	35.571	35.413
Motor trade turnover (1972=100)	202	175	166	174	143
Building and civil engineering (£bn.)e	3.069p	3.246	2.963	3.131	2.902

* Production. † Deliveries. ‡ Net sales. § Consumption. ** Seasonally adjusted. †† All manufacturing industries. ‖ Excluding car radios. ‡‡ Deliveries, U.K. made and imported sets. d Prices. f Including cooker griller toasters. e Value of output. ¶ United Kingdom not seasonally adjusted. g First preliminary estimate. p Provisional figures. h Deliveries of petroleum products for inland consumption. n.a. Not available. s From Feb. 1977 figures will exclude radiograms.

This radiotelephone developed by Callbuoy Marine Electronics is claimed to be among the smallest 25 watt VHF sets available in the U.K. for installation in motor vehicles.

● COMMUNICATIONS

Lightweight unit has good range

ONLY ABOUT one per cent. of the motor vehicles on British roads are equipped with radio-telephones to base or elsewhere. But if some 20 per cent. of the total vehicle population is used for commercial or business purposes, there is clearly a large market for such equipment.

It is at this market a totally new product from Callbuoy Marine Electronics is aimed. A 25-watt, three-channel mobile radiotelephone which is between one-quarter and one-third the volume of competing devices is being offered and has been Home Office type-approved for base station and for mobile use.

First such product to be designed within the expanding Welsh electronics industry, it is intended to slot into a sector of the communications industry which has had a 12 to 15 per cent. compound growth for the past several years.

Only slightly larger than an ordinary car radio and intended for dash mounting, the set is particularly easy to install since it comes with its three lead-outs (battery, aerial and microphone) set up and ready to plug into their respective connectors.

There is an option for 12 channels and in either version, the sets operate in the VHF high band between 146 and 174 MHz.

Callbuoy will concentrate on manufacturing and is not intending to enter distribution, installation or servicing.

The radius of operation is significant for such a compact 25 watt unit since a prototype has worked quite satisfactorily over a distance of some 55 miles.

Callbuoy Marine Electronics, 6 Somerset Road, Cwmbran, Gwent NP4 1QX. 063-33 66498.

Worldwide network

COMPUTER Automation has been selected by Fairchild Camera and Instrument Corporation to provide SyFA distributed processing systems for an international data communications network.

The contract, which is valued at approximately $2m. calls for up to 18 SyFA mini-computers to link Fairchild facilities in Asia and Europe with the corporate headquarters in California. The computer network, an IBM 370/168 at Fairchild's headquarters, will bring together the functions of order processing, production control and inventory control.

When fully implemented, the network will be hierarchical in design, and the SyFA systems will communicate with other large-scale computers in addition to the host.

More details from Computer Automation, Hertford House, Denham Way, Maple Cross, Rickmansworth, Herts. WD3 2XD. Rickmansworth 71211.

● SAFETY

Safe in low and high pressures

STORAGE tanks or process pressure vessels can be protected from damage resulting from positive over-pressure or vacuum implosion, by one double action bursting disc.

The new rupturing device is suitable for bulk storage tanks, liquid transport and process pressure vessels. In addition to the normal positive over-pressure protection, the danger of implosion through vacuum is also eliminated.

This new disc—known as Cal-Vac—has a perforated positive pressure bursting disc which "petals" open giving full bore venting with no fragmentation. Under this is a light Teflon seal supported by a vacuum girdle which responds to negative pressure (in the opposite direction) by collapsing inwards.

This action guides the seal on to a knife blade assembly which breaks the seal allowing normal atmospheric pressure to pass into the vessel.

The assembly is fitted between holders designed to ensure correct fitting and location. Discs are available in stainless steel, Monel, Inconel or nickel and holders in stainless or carbon steels; other materials available on request.

Hymatic, Glover Street, Redditch, Worcs. Redditch 63621.

Pin-points the fire

THE control/indication panel of a fire alarm system offered by Pathfinder Safety Systems makes use of a large illuminated photographic transparency of the building's floor plan so that an *outbreak can be indicated to* within a few yards.

The panel is part of a comprehensive alarm system put into the Royal Hospital and Home for Incurables at Putney where the requirements are exacting because few of the 235 patients can walk.

Installed by K. H. Hudson and Co. the system also makes use of Pathfinder heat and smoke detectors in 20 fire zones in association with automatically closing fire doors and pre-recorded messages that are sent to the nearest fire station via a special telephone.

There are also fusing cable detectors, self-contained emergency lights and carefully worked out evacuation procedures. More from Pathfinder at Electric Avenue, Witton, Birmingham B6 7JJ (021 328 3013).

● REFRIGERATION

Frigidaire agreement

UNDER AN agreement with the Frigidaire Division of General Motors, Porter Chadburn of Bootle, Merseyside, is to be the sole U.K. manufacturer of the former's open type compressors and condensing units.

Installation and servicing will be operated through dealers and distributors supported by the U.K. group's own chain of sales and service depots.

The group says the design of the units makes them especially suitable for developing countries where they can be readily adapted to local electricity supplies.

● INSTRUMENTS

Brief events played back at will

AN accurate, quick and convenient answer to the problem of recording transient or recurring signals has been launched by Bryans Southern Instruments.

Transcribe 10 is a combination of solid state store and chart recorder. The input signal—probably from some kind of transducer such as an accelerometer in say, an impact test—is sampled at frequencies up to 200 kHz, converted into digital format and stored in a static random access memory.

The recorded event over, this stored data can then be reconverted to analogue form and "played back" via the chart recorder as a low frequency signal: the output from the RAM is simply slowed down electronically.

The store can be shared between two input signals giving two independent channels each with *its own* analogue to digital converter, or in serial mode with all of the 2048 x 10 bit capacity allocated to one channel.

Read-out takes place to the chart in either 25 or 50 seconds (two channels) or 50 or 100 (one channel) while the ... is moving at 1 cm./sec. Tr... ing arrangements are pro... and various sampling rates 20 Hz to 200 kHz can be sel...

The instrument measure... x 440 x 146 mm. and w... 13 kg. It can be used, wit... store out of circuit, as a n... chart recorder. More from company at Willow ... Mitcham, Surrey CR4 4UL ... 648 5134).

● CALCULATORS

Sharp bid on U.K. market

OUTSTANDING among the new calculator products launched in a multi-industry presentation by Sharp Corporation in London this week is what Sharp calls a slide-rule calculator. As the Japanese are a literal folk this means just what it says. The EL 5804, only recently available in the U.S. and Japan, is 7mm thick by about 4cm wide and 17cm long, that is, about small slide-rule size.

All similarity with a slide rule stops there since it has an eight-digit liquid crystal display and 19 scientific functions, including trigonometrical values, square root, exponential, etc.

Three watch cells provide 750 hours operating life and the *unit in its black and aluminium* case costs just under £25.

Even Sharp's blasé engineers are excited about the second new product which is a calculator only 4.9mm thick with a touch-key board, liquid crystal display and response tone to show that a key command has been obeyed

The EL8130 provides percentage and square root, four-key memory control and 750 hours operation from two silver oxide batteries with power switch-off after five minutes of non-use.

While this has the conventional calculator layout, the third model, like the first one described, has a display offset from the key array. However, the Elsimate, is a folding calculator with keyboard on one half and display and batteries in the other. An eight-digit machine, it is about the size of two pencils and provides the four arithmetic functions with square root and percent.

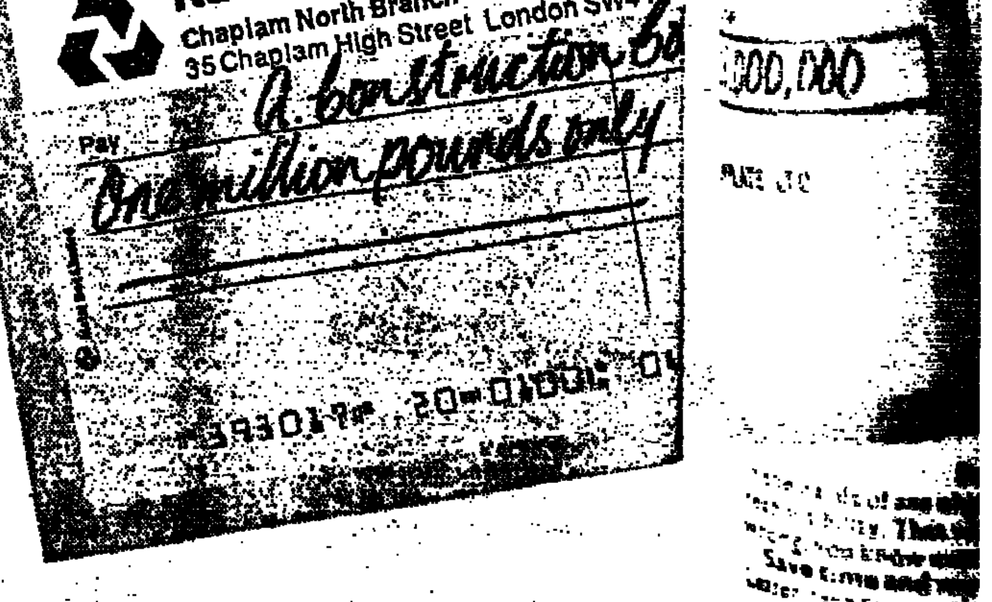
Sharp has an output of 1.2m. *calculators a month* at the moment and claims to lead the world in value of machines produced—it has a series of desk-top and printing calculators as well. Manufacture of these machines takes place in Japan and Korea and in the case of the slide rule unit and the Elsimate, production lines are among the most highly automated of type in the world, using adv... component/connector film ...nology and a production s... from parts to test bench o... order of three minutes, ... understood. Its plants wou... well worth a visit from National Enterprise Board.

This is, of course, not the area in which the compa... engaged in the U.K. wher... market, served by 140 sales support staff is now aroun... £20m. a year mark.

One area in which it in... to make an entry this autu... electronic cash registers, al... marketed in other EEC coun... Models will run from single small shops designs to mac... powerful enough to serve departments and operate a printer.

All have automatic tax change calculation and are to read and service.

More from Sharp Electron... 107 Hulme Hall Lane, ...chester M10 8HL. 061-205 ...



هكذا من الرجل

LABOUR NEWS

Investment level in petrochemicals worries unions

BY OUR LABOUR STAFF

...MICAL INDUSTRY trade ...on officials worried at the ...l of investment in petro...micals are to meet Mr. ...thony Wedgwood Benn, the ...rgy Secretary, and Mr. Eric ...ley, the Industry Secretary, ...lay.

...he meeting follows talks last ...t between ICI unions and ...apany officials over ICI's plan ...invest £240m. in a plastics ...plex at Wilhelmshaven, West ...many.

...it to-day's talks, which involve ...C officials, the unions will tell ...Ministers that they are ...ply worried at what they ...ieve is lack of commitment by ...lustry to inject enough money ...o tapping North Sea oil.

...he unions will suggest that ...estment aid and tax con...sions could be withdrawn and price increases refused for companies which do not play their part in developing the country's "industrial strategy."

There will be a call for building of a huge chemicals complex to help develop use of North Sea oil.

The ICI unions, including the Transport and General Workers' Union and the General and Municipal Workers' Union, told the company that they were extremely concerned about job security in the wake of the Wilhelmshaven decision.

GMWU attacked the decision at its annual conference three weeks ago. Other unions, including the Association of Scientific, Technical and Managerial Staffs, believe ICI intends a much bigger development at Wilhelmshaven than disclosed.

Labour force 'will grow 681,000 in four years'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE LABOUR force is projected to grow by an average 170,000 a year between now and 1981, according to the latest official estimates.

This is a rather faster growth than envisaged in the previous projection 18 months ago and dims even further prospects for an early sustained reduction in unemployment.

The projections are contained in the latest issue of the Department of Employment Gazette, which also discloses a further increase in labour turnover in manufacturing industry and a continuing slow growth in labour productivity.

The present labour force is estimated at 26.05m. and the Department projects a rise of 681,000 between now and 1981 with a further 1.047m. between 1981 and 1986.

The annual growth estimate in the next few years has been increased by about 20,000 compared with the previous projection, though all the calculations depend largely on assumptions on activity rates, particularly the proportion of married women looking for work.

Productivity

Of the 1.11m. rise in the total labour force projected between 1976 and 1981, some 30 per cent. is accounted for by men, nearly 50 per cent. by married women and over 20 per cent. by unmarried women.

About 45 per cent. of the projected growth should be in the 16-24 age groups because of the higher birth rate in the early 1960s.

This is most important for men since nearly 60 per cent. of the rise in the female labour force in the period is expected to be in the 25-44 age group.

If no change occurred in married women's activity rates from 1975 levels, the labour force would rise by only 553,000 between 1975 and 1981 and by 665,000 between 1981 and 1986.

The labour turnover figures for March suggest that activity has been picking up. The four-quarter moving average of total hirings, as a percentage of employees in manufacturing industry in Great Britain has been rising since the end of 1975 but is only back to the level touched in the 1971-72 recession.

A smaller recovery has occurred, so far in a similar moving average for discharges. This is only slightly higher than its low point last year.

Lost work days toll reaches 614,000

THE NUMBER of working days lost through industrial disputes is on the way up again. According to Department of Employment figures, 614,000 days were lost in May.

In April the number had dropped to 612,000 after reaching an abnormally high 1,036,000 the previous month.

The latest figure brings the days lost so far this year to 3,476,000 — more than in the whole of last year, when 3,284,000 days were lost. In the first five months of last year just 1,365,000 days were lost.

There were 244 strikes in May involving 86,300 workers, bringing the year's strikes so far to 1,087 involving 430,500 people.

Strike figures for last year show that over 80 per cent. of all stoppages lasted not more than four days. Less than 16 per cent. lasted more than 12 days. Half the strikes involved fewer than 100 workers, and under 7 per cent. involved 1,000 or more.

The total of 2,016 strikes was the lowest annual figure for 10 years.

Engineers win 15% increase

By Our Labour Staff

A 15 PER CENT. wage increase has been awarded by the Central Arbitration Committee to about 1,300 engineers in managerial grades at the Rolls-Royce and Associates Company, Derby.

The award which amounts to about £600 a year and is to be backdated to last October, was made under the 1946 Fair Wages Resolution.

Strike ends

A STRIKE by 120 engineers at the Rolls-Royce aero-engine plant at Hillington, Glasgow, ended yesterday after ten days. The rest of the 3,700 workforce was expected to lift support action of an overtime ban and a policy of non-co-operation. The strike started after a man was suspended for extreme carelessness.

Bank's services explained

A NEW guide to business services, designed for small and medium-sized companies, has been produced by Williams and Glyn's Bank.

The subjects dealt with in the brochure called Your Guide to Our Business Services include organising money and putting it to work; methods of business finance; services for importers and exporters and general business services.

Decision to-day on Ford peace bid

By David Churchill, Labour Staff

...REVISED peace formula to ...id the crippling 18-day Ford ...spute, which has cost the com...ny an extra £45m. worth of ...oduction, will be put before ...meeting of 4,000 car assembly ...rkers at Dagenham this morn...g.

...The formula was thrashed out ...a 16-hour meeting which ...ished in the early hours of ...sterday morning. It seems ...ely it will extend further the ...eviously agreed procedural ...ps to prevent internal disputes ...calating and causing lay-offs ...ong Ford workers not directly ...volved.

...But it seems unlikely Ford ...ll have conceded the workers' ...mands for lay-off pay, the cause ...the current dispute. This is ...long-standing grievance which ...ne to a head when a minor ...pute in the body plant, involv...: one man, resulted in the ...embly plant being shut down.

...About 600 assembly workers, ...gry at continual lay-offs from ...er disputes, went on strike to ...ss for pay when this occurs. ...Earlier this week a mass meet...: of assembly workers, called ...discuss a peace formula ...rked out last week broke up ...en shop stewards ejected full...e union officials and turned ...wn a return to work.

...tterly

...After that meeting, Ford man...ment reacted bitterly, attack...the "few militants" for ...pping a democratic meeting. ...day's meeting is being held ...11 a.m. instead of the usual ...e of 8 a.m. give assembly ...rkers more time to attend.

...f the assembly workers decide ...a complete return to work, ...ning th 9,000 other Dagenham ...rkers who were recalled by ...e company last Monday, then ...oduction of Fiesta and Cortina ...s could begin to-night for the ...st time in over two weeks.

...And if pickets, who have pre...nted components leaving the ...tory, are lifted, the 3,000 laid ...: at Ford's Southampton and ...ngley, Bucks, plants will be ...called.

Jenkins fears 3m. workless

BY OUR LABOUR STAFF

A FORECAST of 3m. hard-core unemployed by the mid-1980s, as a result of long-term structural changes in the economy, was made yesterday by Mr. Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staffs.

To mitigate the effects of this high unemployment level Mr. Jenkins called for a radical re-appraisal of the working environment to give people more leisure and, correspondingly, allow for more work to be shared.

The union has submitted a motion to the September TUC, which meets in Blackpool, calling for a review of trade union attitudes towards the quality and length of the working week. The Transport and General Workers' Union is making a 35-hour working week and work sharing a top priority after Stage Two because of the high level of unemployment.

Mr. Jenkins, who was launching the latest quarterly ASTMS economic review, said that it made little sense for people to continue to work a five-day, 40-hour week.

"Most people would prefer to work for only part of the time. We shall have to consider whether people should be licensed to go to work and how often they should go."

A growing number of workers were already taking a three-day week-end, either officially or through absenteeism.

On the immediate future, Mr. Jenkins repeated his long-standing opposition to pay restraint and predicted that inflation this year would be far higher than the Government itself had forecast.

He also said that if the TUC in September voted for strict adherence to the 12-month rule between pay claims, ASTMS would adhere to the decision. But he believed it would have little effect on ASTMS members because it could start negotiating claims immediately for many groups whose claims were due.

ASTMS would seek rises according to its estimates of employers' ability to meet its demands.

Worker-participation study urged

BY OUR OWN CORRESPONDENT

THE EUROPEAN dimension on worker-participation should be considered fully before the U.K. Government rushes into unnecessary legislation, Mr. Basil de Ferranti, chairman of the EEC economic and social committee, said yesterday.

Mr. de Ferranti told a joint union-employer conference at Nottingham that European policy would be determined by next year. Britain would be wise to delay any decision.

"The U.K. cannot afford to embark on company law developments which diverge so far from the European mainstream that British companies are driven abroad."

As living standards and technology increased, communication between people became worse in spite of the sophistication now utilised.

"In simple terms, we have to get back to talking to each other in business and industry. But we must beware of politicians out to catch votes by jumping on the industrial democracy bandwagon.

"Legislation in the EEC is still at a discussion stage and the Bullock Report completely misread the mood of Europe. A flexible system of co-operation is needed in Britain, not the imposition of ill-thought-out laws."

The suggested legislation, if implemented, would impose a company structure which would send British companies and investors fleeing abroad where they might get better terms.

A description of the German union system and participation was given by Mr. Werner Sabiers, a former research officer for the German Metalworkers Union.

Mr. Jack Whyman, an AEUW divisional organiser in the East Midlands, gave the views of a British trade unionist.

Mr. Mike Smith, managing director of Sturmey-Archer, who presented an employer's view, said that joint involvement should grow "organically" from a combined will and determination.

At the conference, the East Midlands Engineering Employers' Association and the Jim Conway Memorial Foundation — a union educational body—co-operated in arrangements for 60 management and union delegates.

Beer drinkers attack lager price

EXOTICALLY-named lagers are among the weakest beers brewed in Britain. And yet they are sold at prices higher than some of the strongest beers, the Campaign for Real Ale complains to-day.

Beer prices should correspond roughly to the strength of the brew—but lagers cost 6p to 11p a pint more than bitters and milds of comparable strength, CAMRA's What's Brewing magazine argues.

The high profits, which the brewers admit, are used to build new breweries. But the modern beer factories are unnecessary, CAMRA claims, and will cause the closure of existing breweries and the death of traditional brews.

The first to close will be the Courage brewery at Reading next year when the company opens its Berkshire brewery close by.

Councils oppose poisons plant

TWO COUNCILS and 700 villagers have objected to the planned £1m. poisons waste processing plant at Kibblesworth, near Gateshead.

The private scheme, to handle up to 60,000 tons of waste a year, is to be considered by Tyne and Wear County Council next month.

APPOINTMENTS

European group posts at EMI

The following changes within the European operations of EMI take effect from to-morrow: Mr. F. Wottawa, acting managing director, EMI Electrola GmbH, becomes managing director of becomes managing director of that company; Mr. M. Lendvai, managing director, EMI Records (Switzerland) AG, is to be director, Leisure Developments (Continent), and Mr. G. Deluz, general manager, EMI Records (Switzerland), will be acting managing director of that concern; Mr. J. Fritsch, formerly managing director, Fona Denmark, remains a director of that company and has been appointed deputy chairman of the Fona group. Mr. H. Bjarnt, deputy managing director, Fona Denmark, takes over as its managing director with additional responsibility for Fona Sweden and Norway.

*

Mr. George Prentice has been appointed managing director of PLASCOM (1909), a member of the Tarmac group.

*

Mr. John S. Walton has been elected a director of AMALGAMATED METAL CORPORATION. He is to become chief executive in place of Mr. Peter A. Neuman who is returning to Canada at his own request to resume full-time duties as chairman and chief executive officer of the group's subsidiary, Drew Brown. Mr. Neuman retains his seat on the Board of Amalgamated Metal. Mr. Walton is a vice-president and a director of Patino Management Services.

*

Mr. E. Hone has been appointed to the Board of MARTONAIR INTERNATIONAL as a non-executive director.

*

Mr. H. V. Gibbons, commercial manager of GEC-Xpelair, has been appointed to the Board as commercial director.

*

Mr. R. E. S. Deinoff has resigned from the WILKINSON MATCH Board. He recently retired from the Board of the Swedish Match Company.

*

Mr. P. B. Kavanagh, one of the Assistant Commissioners of the Metropolitan Police, is to be Deputy Commissioner in succession to Sir Colin Woods, who becomes Chief Inspector of Constabulary on August 1. Mr. W. H. Gibson has been appointed an Assistant Commissioner of Police of the Metropolis from that date.

*

Mr. T. C. Hart, managing director of Limelight Furniture and Alfa Furniture, has been appointed to the Board of BOWATER BUILDING PRODUCTS AND FURNITURE GROUP.

*

Mr. C. P. Richards has become chairman of the BRITISH INDUSTRIAL FASTENERS FEDERATION in place of Mr. A. J. Laker.

*

Mr. J. A. Bromley has been appointed commercial director of B.M. COATINGS and has been succeeded as production director by Mr. I. Raw, who joins the company from Greengate Polymer Coatings.

*

Mr. John C. Carson has been appointed marketing director of SCHWEPPES. He was formerly brand marketing manager. Mr. Keith Holloway is leaving the company.

*

Mr. C. E. Donovan has been appointed director of industrial relations, BRITISH GAS CORPORATION, from September 1.

*

Mr. T. Hunt has been appointed a director of TULLETT & RILEY (FOREIGN EXCHANGE) and Mr. T. Sanders a director of TULLETT & RILEY (CURRENCY DEPOSITS).

*

From tomorrow, Mr. Anthony M. St. J. Percy, who changes his surname by deed poll to Cramphorn from the same date, joins Mr. Alan F. Bacon as joint managing director of CRAMPHORN.

*

Mr. A. T. Hoit has been appointed a director of ROBERTS ADLARD AND CO. from tomorrow.

*

MYDDLETON HOTELS states that Mr. P. F. Yarker, manager of the Beaufort Hotel, Bath, has been appointed a director.

(مكاتبات الاصل)

PARLIAMENT and POLITICS

Some MPs see jobs plan flaws

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE ANNOUNCEMENT of new programmes to help unemployed young people and adults was welcomed in the Commons yesterday by Conservative and Liberal front bench spokesmen. But many Labour backbenchers and a scattering of Tory MPs made it clear that they had serious misgivings.

For the Government, Mr. Albert Booth, Employment Secretary, promised to take up a Liberal suggestion that an all-party appeal should be launched from the Commons urging private industry to create more job opportunities for school-leavers.

However, his announcement of the new schemes—at an annual cost of £160m. a year for youngsters and £68m. for adults—left many MPs worried that it would do little to relieve the problem of long-term, hard-core unemployment.

Nor were they reassured when Mr. Booth explained that the projections on which the schemes were based covered a period of five years. They saw this as an indication that the Government expects the unemployment figures to remain at a high level for a long time ahead.

Their doubts were summed up by Mr. Dennis Skinner (Lab., Bolsover), a leading Left-winger, who criticised the measures as "make do and mend Lib-Lab policies."

Positive

He pointed out to Mr. Booth that most of the support for the statement seemed to have come from the opposite side of the House despite the fact that the Conservatives and Liberals had been calling for reductions in public expenditure.

According to Mr. Skinner, the best way to solve the problem was by a positive policy based on the restoration of cuts in public expenditure.

Mr. Booth told the House: "The measures reflect our determination to continue to mitigate the worst effects of high levels of unemployment, especially for young people at the beginning of their working lives.

"The new programme of opportunities for young people represents a major step forward in tackling the problem of youth unemployment. It demonstrates our concern that we should not abandon young people who cannot find jobs with the depressing prospect of long spells of unemployment.

"We should provide them with opportunities to improve their prospects of obtaining permanent jobs."

Mr. James Prior, shadow Employment Secretary, said that his party believed there were other ways of achieving high levels of employment, particularly through extra production and wealth creation. Nevertheless, he certainly welcomed the statement and thought it was very important that school-leavers, who could not get a job, should have a chance under the new schemes.

But he cautioned: "There is a great need to ensure that these schemes do provide a link for long-term employment and are not just used as a way of putting off the evil day of unemployment for a year or eighteen months."

For the Liberals, Mr. Cyril Smith also welcomed the statement and, amid scornful laughter from Labour Left wingers, complimented Mr. Booth on the steps he had taken.

He urged the Secretary of State to consider the possibility of having all party talks in the House on a national drive among employers and an all-party appeal on a regional basis to persuade private industry to create more job opportunities for school-leavers.

Mr. Booth told him: "I will consult with other parties in the way you have suggested. I would welcome an all-party appeal to employers to support us in this programme."

He added: "We do regard the programme as being a long-term one in comparison with the projects it will replace. We have given an undertaking that we will review it year on year, but projections on which it is calculated are for five years ahead."

Mr. Max Madden (Lab. Sowerby) said that it was the view of a large part of the trade union and labour movements that the only effective way of tackling unemployment was the early expansion of the economy and the restoration of public expenditure cuts.

Mr. James Craigen (Lab. Maryhill), stressed the problem of young people who found that unemployment prevented them continuing with regular apprenticeships.

Labour can stay longer at Transport House

BY RUPERT CORNWELL

TO ITS PROFOUND relief the Labour Party has won an eleventh hour stay of execution from the Transport and General Workers Union, meaning that it will be able to stay at its Transport House headquarters for a further three years.

Until now the party had been facing the prospect of a staggered but forced exodus from its cramped quarters in Smith Square to allow its landlord, the TGWU, to refurbish the building in readiness for an expansion of its own staff.

Yesterday, however, Mr. Ron Hayward, Labour Party general secretary, received a letter from Mr. Jack Jones bearing the good tidings. So vanishes the threat of a split up of party officials and the risk of the Government being forced into an election at a moment in mid-removal.

In return, the union is steeply increasing the hitherto concessionary rent Labour has paid. The party's total rent, rates and services bill will more than double to around £150,000 a year for the 20,345 square feet it occupies at Transport House.

The breathing space also offers the chance of a satisfactory outcome to the vexed question of a new permanent headquarters for the party.

The present plan, which has already been approved by the National Executive, is for a move to Walworth Road in South London, where Labour Party Properties owns a Georgian terrace. Work there might be completed by 1980.

But it is a solution still being resisted by a number of party workers, above all because of its relative distance from the Houses of Parliament.

SLADE urged to adopt 'more tolerant' recruiting

BY IVOR OWEN, PARLIAMENTARY STAFF

THE PRINT union SLADE was urged to adopt "a more tolerant and patient approach to the recruitment of new members" by Mr. Harold Walker, Minister of State for Employment, in the Commons last night.

He was speaking in a debate opened by Mr. James Prior, shadow Employment Minister, who roundly condemned the recruitment tactics of the union, the Society of Lithographic Artists, Designers, Engravers and Process Workers, in trying to enlist new entrants from commercial art studios, advertising agencies and photographic laboratories.

Backed by Tory cheers, he described them as "reminiscent of the protection racket and gangsterism."

Mr. Prior complained that SLADE officials were approaching managements of commercial art studios, photographic laboratories and advertising agencies with demands that their staffs should join the union.

When voluntary recruitment failed to produce significant results SLADE not only proceeded to demand recognition but also the introduction of a closed shop, backing up these demands with indications that work coming from, or going to the enterprise, could be blacked.

Mr. Prior emphasised that he was not denying SLADE's right to recruit members and seek recognition but the way they had gone about it had deeply disturbed people inside and outside the businesses concerned and inside and outside the trade unions.

Attempts were made to direct new recruits into the SLADE art union and those who did join had little chance of influencing the main union, the relationship with which was far from clear.

"This is not fair and open recruitment," protested Mr. Prior. "It is disgraceful. It should be, and I believe it is, an embarrassment to the whole trade union movement and the Labour Party too."

He called on the Government to accept that the present position was intolerable. It was already known that there were some voices in TUC headquarters ready to express this view.

The TUC and its printing industries committee should get to work, he said, to make certain that all blacking by SLADE in connection with recruitment should be called off straight away.

Mr. Prior also pressed for a review of the law on trade union recognition, arguing that it was unfair that when the ACAS procedure was used there were sanctions against employers who refused to comply but none against trade unions who refused to use the procedure.

Mr. Walker readily accepted that action taken by SLADE has led to protests from the areas in which it was seeking to increase its membership and within the trade union movement generally. Blacking action had on occasion blacked work produced by other unions. There were a number of unions who were not prepared to concede that SLADE should have exclusive recruiting rights in advertising and associated industries.

Mr. Walker pointed out that in some quarters every opportunity was seized to attack trade unions in general and attempts to introduce closed shops, in particular. "However, I do accept that there are significant differences between this and most of the other closed shop issues which have emerged in the last few years.

"These differences have caused me concern, in common with other friends of the trade union movement."

He agreed that in normal circumstances when a union sought to obtain a closed shop agreement with a particular employer it started from a basis of substantial membership among that employer's workforce. To attempt, through external pressure, to impose closed shop agreements on establishments in which the great bulk of the workforce did not wish to join the union in question and still less to be subject to a closed shop agreement was a different matter from the normal run of controversies over the closed shop issue.

Mr. Walker commented: "Throughout all my years in the trade union movement—many of them served as a shop steward—I have always believed that for the overwhelming majority of workers the case for trade union membership was so compelling as to need no coercion."

He added: "In the circumstances I hope that SLADE will be prepared to consider a more tolerant and patient approach to the recruitment of new members in the advertising and publishing industries.

"In saying that, I am sure I reflect the view of the TUC, and it is their good offices which probably provide the best hope of securing a satisfactory outcome."

He stressed that the TUC's printing industries committee was already active in attempting to conciliate in the affair. Apart from seeking to mediate in the disputes between affiliated unions that had broken out as a result of SLADE's actions, it would be meeting the Institute of Practitioners in Advertising on July 19 to discuss the situation.

The aim would be to promote jointly agreed procedures under which the unions concerned would have proper opportunities to seek to organise employees in the advertising agencies and art studios.

Discussions of a similar nature were taking place with the trade associations which represented photographers and illustrators. "I am convinced that these talks offer the best way forward," stated Mr. Walker.

But while expressing disquiet at SLADE's tactics, the Minister firmly rejected any suggestions that the affair could be more satisfactorily resolved through the dimension of the law or that some sort of new statutory prohibition should be imposed to make tactics such as those employed by SLADE illegal.

"Although I cannot say I am altogether confident of a satisfactory outcome to this affair, I very much hope that good sense will prevail," he said.

Left tones down call for early reflation

By Rupert Cornwell, Lobby Staff

LABOUR'S Left-dominated national executive has issued a predictable challenge for the Government to switch course for an early general reflation of the economy—but in relatively docile terms that will give little alarm to Ministers.

The demand by the NEC comes just three days after the Cabinet's week-end meeting at Chequers at which it was decided to wait until autumn before taking action. The reflation issue is certain to figure prominently at the party's conference in Brighton in October should nothing have been done by then.

Significantly, however, the original resolution tabled at yesterday's thinly attended NEC meeting by Mr. Eric Heffer, MP for Walton, was watered down in two respects before being approved by ten votes to one.

A call for the Government to re-negotiate the terms of last December's IMF loan was omitted, while an additional phrase proposed by Mr. Fred Mulley, Defence Secretary, stressing the need to continue the fight against inflation, was tacked on to its end.

The hardest line was taken by two Left-wing MPs, Mr. Ian Mikardo and Mr. Norman Atkinson, who resisted a plea by Mr. Michael Foot, Labour's deputy leader, for the NEC not to vote on the issue, but instead to send a deputation to see the Prime Minister.

Mr. Mikardo agreed that normally this would have been the best course. But, he said, he had come to the conclusion that the Government was not interested in real talks with the unions, only in "window dressing."

Mr. Atkinson insisted that the reference to the IMF be kept in the resolution on the grounds that otherwise the NEC would be brushed off once more with the explanation that the Cabinet's responsibility was to the Fund.

The NEC also agreed to recommend to the October conference that Labour give its seal of approval to the principle of State aid to political parties. The move was approved at yesterday's meeting by nine votes to four, with the opposition led by Mr. Heffer, a convinced foe of public funds being channelled into party organisations.

The plan now on the table is that of the Houghton Commission whose recommendations centred on aid being allotted on the "5p-a-vote" method. If the conference endorses yesterday's NEC decision, Labour study groups will set to work on a more detailed set of proposals which need not be those propounded by Houghton.

Pay policy increase for MPs

By Rupert Cornwell

THE GOVERNMENT is giving MPs a pay increase of £4 a week—strictly in line with the current phase of pay policy—which would lift the basic salary of a backbencher at Westminster to £6,270 from the present £6,062.

The rise applies to all Ministers and members, up to and including Mr. Callaghan himself, who receives £20,000 a year as Prime Minister. For MPs, the increases under the current 12 month rule will take effect from June 13, while Ministers will have to wait until July 30 for their extra £208.

In a written answer yesterday, Mr. Michael Foot, Lord President, made it clear that those MPs, whose total earnings exceed £8,500 will continue to go without the £312 rise they agreed to forego under Phase One.

But all MPs will receive a 5 per cent. boost to their allowances, lifting these to £3,687 annually. Additional costs allowance is linked automatically with Civil Service subsistence rates which came up for review on July 1.

The Government's pay curbs have prevented any action on the controversial issue of settling the basis on which MPs' pay is determined. Their salaries were to be reviewed this year following a 1975 recommendation by the Top Salaries Review Body.

In the meantime, therefore, British MPs will remain among the worst paid in Europe.

Herring ban evidence unassailable—Millan

MR. BRUCE MILLAN, Scottish Secretary, told the Commons yesterday that the Government was preparing to take steps to continue the ban on directed fishing for herring in the North Sea within Britain's 200-mile limits for the rest of this year.

He said that the European Commission's proposal for a continuation of the ban had led to "a long and particularly difficult discussion" at Common Market Ministerial negotiations in Luxembourg on Monday. No agreement had been reached.

Mr. Millan said he had told the Council of Ministers that the scientific evidence for a further ban was "quite unassailable."

On fishing limits, he had told them that the British proposal for a variable coastal belt up to 50 miles was still on the table. "I indicated, however, that we were willing to look at other ways in which our essential needs might be met, so long as they provided our fishermen with an assured future and ensured that the fish stocks were properly conserved," he said.

He had outlined a proposal involving an exclusive limit of 12 miles and a dominant preference in the 12 to 50 mile band. Discussions had reflected the "willingness on the part of some member States to recognise our essential requirements."

Mr. Millan also told MPs that the new quota arrangement under which more than 70 per cent. of total catches were allocated to the U.K. would "provide useful fishing opportunities for our industry during the remainder of the year, without risking the possibility of further serious damage to the stock."

"Agreement on the Commission's proposals for herring stocks in the Irish Sea had been deferred at the talks to provide an opportunity for discussion with the Irish and Isle of Man authorities about management.

"On west of Scotland stocks, a proposal for a quota allocation on the basis of a much-reduced total allowable catch was supported by Britain. Introduction of this quota allocation was subject to an Irish reserve which would allow the new Irish Government time to consider the matter further and the present ban on the fishing of the stock would continue until July 20."

Mr. Edward Taylor, shadow Scottish Secretary, said that despite the hardship the ban would cause, it was necessary if fish stocks were to be saved from the "ruthless decimation" suffered off the shores of some EEC states.

But he deplored the decision to abandon plans for a 50-mile exclusive management zone. Catch allocations based on quotas were not enough. What was needed was licensing and effort restriction.

Mr. Millan said the Government had never asked for a 50-mile exclusive fishing zone which did not make sense. The variable belt the Government was proposing gave better assurances to the fishing industry and would help the progress of Common Market negotiations.

Grunwick debate call succeeds

MPs are to have an emergency debate to-day on the Grunwick dispute. The Speaker, Mr. George Thomas, told the Commons yesterday that MPs from both sides had asked for it.

"I believe the time has come when I must agree," said Mr. Thomas, who had rejected previous demands.

Yesterday's request came from Mr. Ronald Bell (C., Beaconsfield), who said that following a decision by the London district council of the Union of Post Office Workers the proposal now was that all movement of Grunwick mail should be stopped and also, he understood, that telephonic communication should be interrupted.

Tories rose in unison to back the call for a debate—at least 100 MPs must stand up in their places to show their support—but only a handful on the Labour benches joined them. Those who remained seated were taunted from the Conservative side.

Mr. Bell claimed that a question of principle of utmost importance arose from the dispute—whether the rule of law should prevail. The House had heard nothing from the Attorney-General (Mr. Sam Silkin) since he said last week that he would make inquiries about the probable reaction if he were to prosecute for breaches of the Post Office Act.

If there was a hostile reaction, enough to prevent the application of the law, "then a most important constitutional question arises," Mr. Bell claimed.

Mr. Silkin should have the earliest possible opportunity of coming to the House to explain his action and to account for the manner in which he had exercised his discretion, he added.

Written Answers

TREASURY

Mr. Frank Allaun (Lab., Salford East). Approximately how much did local authorities save by being able to buy land net of development land tax in the last financial year? How much is it estimated they will save in this way in the current financial year?

Mr. Robert Sheldon, Financial Secretary. The provisional net of tax benefit for 1976-77 is £5m. and the forecast for 1977-78 is £20m.

EMPLOYMENT

Mr. Robert Adley (Con., Christchurch and Lymington). Is the Secretary of State satisfied that there are sufficient native butchers, patissiers and bakers to meet the employment requirements of the hotel and catering industry without employing foreign labour?

Mr. John Grant, Under-Secretary. I am informed by the Manpower Services Commission, which administer the public employment service, that there are no precise figures of the supply and demand of butchers, patissiers and bakers for the hotel and catering industry. The latest statistical information shows that, for the occupational groups which include these trades, the number of workers registered as unemployed exceeds the number of unfilled vacancies.

TRADE

Mr. Neville Trotter (Con., Tynemouth). What is the present value in money terms of the total U.K.-U.S. air market? What are the U.K. and U.S. percentage shares of the market? What is the estimate of the total market in 1981 expressed in current pound sterling? What is expected to be the U.K. and U.S. shares in that year?

Mr. Edmund Dell, Secretary of State. In 1976 the value of the U.K.-U.S. scheduled airline market under the Bermuda agreement was £378m. of which the U.K. share was nearly 43 per cent. In 1981 the CAA expect the market to have grown to some £538m. in current (that is 1981) prices, or £440m. at to-day's prices.

In the new agreement U.K. airlines have sole rights from Manchester indefinitely and to Houston for three years. On all other routes they will face competition from U.S. airlines. There is no provision for fixing market shares, and market share will be determined by the competitiveness of U.K. airlines. Any estimates of market share under conditions of competition must be highly speculative, but I expect U.K. airlines to have fairer opportunities under the new agreement

Advertising and

New entrant for corporate stake

BY MICHAEL THOMPSON-NOEL

YET ANOTHER COMPANY has decided that the time has come to launch a corporate advertising campaign to help polish up its image with the City, the investment public and employees. This time it is Hanson Trust, the industrial management company, whose recent interim report to March 31, 1977, showed unaudited pretax profits of £11.22m.

The company says its recent record earnings have nothing to do with its decision to enter the corporate advertising stakes. Rather, the move was planned some time ago, which is why from to-day it is launching the first burst of its campaign with whole-page spaces in leading national newspapers and financial journals.

The money Hanson Trust is spending this year—approximately £150,000, which may include a selective use of television later on—is fairly modest compared with the £600,000 that Dunlop is spending this year on its corporate campaign, for example, or the £350,000 Tube Investments is spending on its Ronnie Corbett commercial.

But it reckons it will be money well spent. As well as its 17,000 shareholders, the company is aiming to communicate more forcibly with investment advisers, businessmen and employees. According to Sean Irwin of agency Allen Brady and Marsh: "The decision to embark on a major advertising campaign was made because of the widespread variety of comment which is invariably seen when the financial record of Hanson Trust is discussed.

"Recent Press reports following the publication of interim accounts on June 8 were diverse in their assessment, a special research study c missioned at the end of l and conducted for us by Ta Nelson Associates, showed City opinion of Hanson T compared with two other l ing industrial manag companies was highly fav able but in some cases misinformed and lacked d of detailed understanding."

Jeremy Sinclair, crea director at Saatchi and Saa the agency responsible for l lop's prize-winning TV com cial (see opposite page) last night that there was reason why corporate adve ing should be any less suc ful or attention-getting any other form of advertis "The success of the Dunlop is probably due to the fact we tackled it as we would h tackled any other adverti project for TV. Humour happened to be the veh we thought most likely to the message across."

● AS A FOLLOW-UP to series of colour ads, that ran last autumn to explain approach to exports, in ment and the environme Ogilvy Benson and Mather developed another campa along similar lines. This will look at questions like ICI invests in Europe, ho £300m. investment decision taken, and how ICI is deal with water pollution. The c pany, one of the largest c porate advertisers in the U says it has always given a h priority to ensuring that policies are well understo both inside and outside group, and that research shown a steady improveme over the years to its over reputation. Expenditure on new Press campaign will about £120,000.

EMI's £200,000 switch

IN A SIGNIFICANT move for the consultancy business, Lonsdale Osborne has lost EMI's MOR division (Middle-of-the-Road) to Gerald Smith Associates, the creative consultancy, as from to-morrow. The business is worth £200,000, writes Michael Thompson-Noel.

Smith started his consultancy 18 months ago. Previously he had worked for Collett Dickenson and Pearce, an EMI agency, and later as copy chief with Vernons.

Singers and groups which Gerald Smith will now handle include Tom Jones, Englebert Humperdinck, Diane Solomon and Fivepenny Piece. All media buying and planning will be handled by TMD.

The MOR division was originally with the Osborne agency until the merger with Lonsdales, and stayed there for nearly 30 years. Vic Lanza, general manager of MOR, says of the change: "I have been interested in the consultancy structure for some time. We're certainly looking forward to the new association."

According to Smith: "This is a particularly exciting period for us, as well as for other consultancies. Many large manufacturers are showing much more than a passing interest in consultancies, as the MOR and Pop divisions of EMI have shown. The advertising industry can, at long last, offer manufactur more than one way of buy their advertising."

Gerald Smith Associa already handles developm work for Quaker Oats and IC

● A SIX-WEEK TV campa starts on July 6 to prom chicken for the family roast. T commercials will be support by advertisements in the Da Express, Daily Mail, Da Mirror and Sun. The campai budget is £250,000. Using t existing Champ commercia created by OBM for the BPM which were successfully tri and tested earlier this year, the is in addition a till sign of £1. A supporting below-the-line ca paign has also been arranged OBM, whereby virtually major retailers will be operati a Champ chicken promoti between July and Septembe

● LEVER BROTHERS, throu its advertising agency Lint London, is launching a TV ca paign nationwide (except We ward) on July 4 for Domest The campaign is part of a hea weight sales drive to the tra and consumer to coincide w the peak usage period Domestos during the summ The new commercials emphas the tests that are done to ensu the superiority of Domestos ov thin bleaches. Domestos has 45 per cent. sterling share of t £20m. bleach market and sper approximately £500,000 on abo the line advertising yearly.

New product activity is livening up

By PETER KRAUSHAR

RECENTLY COMPLETED research into the new product development activities of 121 consumer goods companies reveals that in general the level of activity is growing.

Companies are definitely saying that their NPD programme is larger and that they are planning more launches than before. This does not necessarily mean that more new products will hit the market, and there is still some reluctance to press the investment button—particularly as retail sales and inflation continue to be disappointing.

But even the cynics are beginning to be convinced that 1978-79 will see the start of an upturn in consumer demand and that there is much need currently to update and innovate, if only to compete with companies in other countries which passed their economic troughs long ago.

Unless at least the larger companies resume their development activities to match the Germans, the Americans, the Japanese, the South Koreans and so on, there could be trouble ahead.

It is interesting to note the main problems facing companies in launching new products. Fifty-one per cent. mentioned the economic climate, as expected, as one of the three main problems, but the next factor was pricing (44 per cent.) followed by sales force capacity (35 per cent.), distribution (32 per cent.), unwillingness to take risks (21 per cent.) and the company's poor track record in the past (17 per cent.).

Inflation and the vast fluctuations in commodities such as cocoa, coffee and tea make life most difficult of course. Consumers have also changed their values markedly in the last few years, so that it is not easy to know what is worth a premium and what is not, nor which market is price sensitive and which is not. Who would ha predicted the opportunity premium-priced frozen cakes?

So it is not surprising t much pricing research is taki place, despite the problems doing such research, and the have been many examples whe it has paid off in indicating level of price sensitivity for particular product or market.

On the whole companies spe a great deal on new produ research: 113 companies spe fied their current resear budget for new products follows:— over £250,000 (7 cent.), £200,000-£250,000 (5 cent.), £150,000-£199,000 (6 cent.), £100,000-£149,000 (4 cent.), £50,000-£99,000 (25 cent.), £20,000-£49,000 (21 cent.), £5,000-£19,000 (19 cent.), less than £5,000 (12 cent.).

One company in five sp £150,000 or more annually a half spent at least £50,000. The are large sums if one bears mind that often no produ reaches the market place in one year and that, in gene there are strong views on t cost effectiveness of differ types of market research. I w delighted that much doubt w cast on the value of segmentati analysis and other types of search designed to come up w good ideas, easily the most e effective technique being gro discussions to test (but n suggest) new concepts: 65 cent. thought this the most e effective type of new produ research.

There is also much favourab opinion towards area test ma kets, so long as they are n town tests. Three-quarters h carried out an area test mark in the last three years and per cent. thought that area te were worth while to lessen t risk, though 15 per cent. thoug that they did not lessen it.

Peter Kraushar is managi director of Kraushar Andre and Eassie.

SALES PROMOTION

How Ovaltine climbed to No. 1

BY OUR MARKETING EDITOR

ASK THE average marketing director to describe the precise sales benefits of his spending on sales promotion and you'll quite likely receive a nod, a nudge, and a soft shoe shuffle. But some are more fortunate than others. Dany Khosrovani, for example, is the Wander Foods product group manager responsible for Ovaltine, whose performance in the £15m. food beverages market has recently undergone a remarkable transformation.

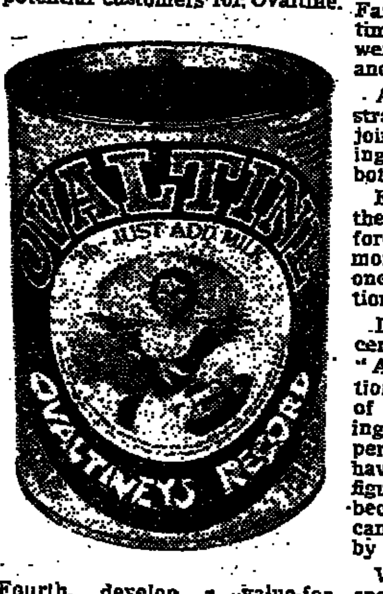
And one of the main reasons for this, says Miss Khosrovani, is the successful below-the-line campaign waged on Ovaltine's behalf by Kingsland Lloyd Petersen, the sales promotion specialists. How was it done?

The food beverages market is contested by three principal brands—Horlicks, Ovaltine, and to a lesser extent Bournvita. Retailers' own brands account for a modest share. Traditionally, housewives have thought the three main rivals equally wholesome, so the challenge was to make Ovaltine users even more loyal, and to encourage a switch to Ovaltine from rival brands.

When TBWA was appointed to handle Ovaltine's advertising campaign in 1973, it took the nostalgia trip, recalling not only the traditional goodness of Ovaltine but also the brand's advertising themes of the past, such as the League of Ovaltineys — first launched on Radio Luxembourg in 1935 and one of the most successful branding exercises of the century.

Kingsland Lloyd Petersen was also called in by Wander four years ago. According to KLP's Christian Petersen: "Our initial evaluation indicated four viable promotional strategies. First, carry the 'tradition' theme of the advertising through to the point of sale and encourage customer participation. Second, pursue the equally well-established identity exemplified by the Ovaltine Dairy Maid and the 465-acre farm at King's Langley — a strategy summed up as 'country goodness.'

"Third, move out into a fresh marketing area and appeal directly to milk users: all of them potential customers for Ovaltine.



Fourth, develop a value-for-money strategy, an important consideration for any packaged goods brand in recent times."

KLP kicked off with the tradition strategy, starting with the most logical of offers, a replica Ovaltine mug of the 1930s. At 68p, more than 30,000 were sold in four months, a sizeable achievement for any small brand.

Pursuing strategy No. 1, a flexible 33⅓ rpm record of soundtracks from original Ovaltiney's shows was banded to the 3 lb size of Ovaltine, acting also as the tin's label.

Hard on the heels of the first set of promotions, the country goodness ploy was set in motion. There was a special Ovaltine farm tea towel offered at 89p and the appearance, at the Ideal Home Exhibition, of an Ovaltine Farm Shop, built of rustic timbers, where 800,000 visitors were offered Ovaltine products and premiums.

As part of ploy No. 3, the milk strategy, Ovaltine experimented jointly with the Co-op in printing paid advertisements on milk bottles, a truly innovative move.

Finally, interspersed through the first year were three value-for-money offers: two featuring money-off-next-purchase coupons, one featuring immediate reductions in the product's price.

Did any of this work? It certainly did. Petersen said: "At the start of the promotional programme in the autumn of 1975, Horlicks had been leading Ovaltine by 37 per cent. to 36 per cent. overall. Now the roles have been reversed: last week's figures showed that Ovaltine has become brand leader by a significant 39 per cent. to 31 per cent. by volume."

Wander, which this year will spend £500,000-plus above and below the line on Ovaltine, is suitably impressed by the sales promotion back-up that KLP has provided for TBWA's ads. "Very few brands have the charisma of Ovaltine," says Dany Khosrovani. "Yet the promotions people really went to work and enhanced it. You could hardly ask for more."

Kriter campaigns after three-year gap

FOR THE FIRST time in three years there is to be a consumer campaign for Kriter, a French sparkling white wine from the house of Patriarche. Plans are at an early stage but it is likely that the Press will be the chosen medium since the six-figure appropriation is not big enough for TV, writes Pamela Judge.

Veuve du Vernay is the market leader in this sector and its budget is around £100,000. Kriter comes in at No. 2 and sells about 400,000 bottles a year in the U.K., the biggest export market.

Sales of champagne have been rising over the last six months, and while sparkling wines have held up pretty well, with Italian and Spanish versions going ahead, the French ones have fallen. Matthew Clark, the U.K. agent for Kriter, reckons it was 5 per cent. ahead of the market trend last year but is just about even now.

● AS PART of the relaunch of Sunsilk this year, Elida Gibbs is introducing a new shampoo and conditioner to add to its hairspray and setting lotion. With £1m. spent on the first part of the relaunch and a further £1m. budgeted for the rest of the year, the aim is to increase the range's market share by 5 per cent.

The move follows Elida Gibbs' philosophy of updating the range every two years or so and going up-market. Keeping the products among the leaders in the £103m. (manufacturers' prices) women's hair preparations market involves constant attention to marketing, says Graeme Stewart, chairman of Elida Gibbs, a Unilever company. Shampoos are estimated to be a £35m. market but the really buoyant sector is conditioners, now worth around £10.5m.

Our score at the ad-Olympics

JOHN SIMMONS reviews the 14th International Advertising Film Festival in Cannes

"A FESTIVAL of commercials?" said Alice to the White Rabbit, who was turning a sun-baked brown even as he scurried along the Cannes Croisette, heavily laden with a delegate's bag bursting with catalogues describing the 1,500 advertising films awaiting an audience of 2,000 producers, directors, advertising agencies, television companies and headhunters from just about everywhere. "How can you be festive about *commercials*?"

Adland may be replete with absurdities and competitive Olympics of screen salesmanship and showmanship may seem apparent confirmation of excesses and eccentricities, but there is much to gain.

Healthy and virile advertising activity suggests good news for any industrial society; and while advertising films reveal national and international values and life-styles, it takes little perception to observe and appreciate the moods of the 24 countries as reflected by the 1,500 commercial combatants exposed at this annual event.

Last year the mood was rather tense, suspicious. This time the delegates and celebrants, and their advertisements, were a jollier lot, more relaxed—sometimes at a cost, perhaps, to overt commercial influence for it is often said, and it is often wrong, that award-winning ad-films don't sell. The festival showed that many known successes can achieve recognition from a glazed if heavily-qualified jury, as well as from the highly-coveted CZ housewife.

The entries were enchantingly variable, reflecting the developments of sophistication, elegance, life-style and merchandise in the advanced as well as the emergent territories of the world. Argentina, for example, is circa 1968-England in its now-shy, now-bold popular persuasion techniques, and is improving steadily. Brazil has made giant strides in confident selling and is now up to about 1972-America.

Spanish advertising continues to be erratic, and the Scandinavian is unexpectedly silly, with their advertising jokes for contraceptives—"Mamba, the cuddly condom"—contrasting sharply with the British Health Education Council X-certificate cinema drama.

The German commercials continue to do well with dramatic demonstrations of facts, and contributed some excellent commodity and service films stressing awareness of environmental and ecological considerations, notably for an electric power station system that preserves and enhances the breeding of freshwater fish. Simple, direct, and no fun.

On the other hand Britain, France and the U.S., representing the majority of film entries and attendants, showed that their protagonists often prefer humour to help make the product position more acceptable, memorable and influential.

The jury was, of course, on trial, and this is where some of the traditional festival fury always begins: the awful responsibility of selecting "the best" in a situation where each country's "best" vastly varies, and of appraising "creative" values as well as "selling influence."

Vladivar Vodka from Kirkwood: a Silver.

Proof came, nevertheless, that the word chauvinism is of French origin. While the jury Press conference reassured correspondents of the *bon accord* of their 15 members (they completed their task, despite 300 extra films this year, two days earlier than previous festivals), this placebo failed to placate, and some unfunny nonsense about falling underpants winning a Gold Lion (cinema) for France encouraged a noisy audience to howl.

France is confident, and it shows. Mattresses, hi-fi, Roquefort, pens, automobiles, the national lottery, were all sold with a smile—even Rank Xerox (Silver Lion, cinema).

The festival is important to Britain not only for the warm glow of a Gold Lion and a view of international product and advertising competition, but also promotionally for export orders, although the high expense of promotion abroad for Britons is a hardship. Our competitors earn (and keep) much more, and can afford to excite business more attractively, yet British talent exports more advertising expertise and productivity than any other country.

London production companies frequently work here and abroad for foreign advertisers and advertising agencies, and individual directors in demand internationally include Ridley Scott and Alan Parker, who now make feature films between shooting commercials, Roger Lambert, Frank Worth, John Perkins and Berny Stringle, and of course the outstanding animation director, Richard Williams, who collected the Grand Prix for the best cinema commercial, sponsored by Samson roll-your-own tobacco, probably the last of the great cigarette puffs.

British production talent and styles still enjoy if not dominance then certainly strong influence over trends and fashions elsewhere, and Britain still provides most of the best directors of photography. The standards are set by masters of painting-in-light like David Macdonald and his evocative Hovis nostalgia, Lester Bookbinder's instant-food enhancement, David Griffiths' flying dart for Guinness, and Howard Atherton's salads that recoil out of range of any salad cream that isn't Heinz. There are no less than another dozen superb British lighting cameramen working internationally.

Britain's share of this year's awards, although diminished, is still impressive: Saatchi and Saatchi collected one of the nine Gold Lions for cinema for its family planning melodrama directed by the festival's most successful director, Vernon Howe, plus a Gold for its "disappearing Dunlop" corporate TV commercial and a TV Silver for a lively pair of Kronenbourgs.

Foote, Cone and Belding once again netted a pride of Lions with a Gold for the world's best cinema commercial for an alcoholic beverage—the gurgling graphics of Gordon's Gin—plus a TV Silver for two gentle anecdotal tributes to British Airways hostesses.

Why are there no specialised awards for recognition of exceptional skills such as editing, music, production design, laboratory opticals and special effects, or even for best performance? Tony Solomon's London TV Festival is considering adding these and similar recognitions to its 1978 event, awards that perhaps will be sponsored by the TV programme companies such as Thames, ATV, Southern, Anglia, and some other contractors who have long declared their desire and intention to participate in acknowledging and stimulating the work of their benefactors.

Among other agencies and production companies helping the Union Jack fly high were McCann Erickson's Gold for Levis (cinema again); J. Walter Thompson, which always scores well, with a TV Gold for a hilarious night football match by firelight, for the Electricity Council, plus a quantity of diplomas; a Silver and a brace of Bronzes for Walls Cornetto and Bird's Eye peas by Lintas, and Kirkwood's Silver for the awful arabesques by Russki infiltrators hoping to learn the secrets of Vladivar Vodka from Warrington, produced by Picture Palace.

The most dramatic surprise of this year's festival was the confident improvement of the Australian participation, perhaps reflecting some recent sudden cultural growth. Conclusive evidence of this came with six 60-second sentimental stories directed at various immigrant minorities who had settled in Australia and who had not been in recent contact with their old country — avoiding sickly-sweetness, but knowing just when to provoke a teardrop or two, these lachrymose mini-masterpieces sponsored by the overseas telephone service overcame any jury resistance to nostalgia and won the most coveted award of the seven-day show, the Television Grand Prix.

Britain did well to win the best production company award, to Park Village Productions, noted for trained sheep performing better than humans for the International Wool Secretariat. Yet despite some glory, this year's report upon the British entries has to include the observation that we can and must do better. Too many of the formats could have advertised anything. Past achievements have to be improved upon. Three out of 10 TV Golds, five out of 10 TV Silvers, three out of nine Cinema Golds and two out of nine Cinema Silvers are not really good enough.

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A new fiscal yardstick

THE Institute for Fiscal Studies is beginning, in its own area, to provide the kind of non-partisan policy analysis which many people have wished to see from a British version of the Brookings Institution. The Meaded Report on the structure of U.K. taxation, the first fundamental review of the principles of taxation for many years, has in draft form done much to move informed debate on to new ground—notably in showing how far we have already moved towards an expenditure rather than an income basis for tax. Its new study of full employment budget assessment under Professor Robert Neild reaches conclusions which are less surprising, but may be of more immediate political and practical effect.

Endorsed

The idea of striking a high employment budget balance is not new, for it is normal practice in the U.S., Germany and the Netherlands, among other countries; and it is a technique which was strongly endorsed in the recent report of the OECD's Wise Men. Though the practice presents problems, the principle is straightforward.

The actual balance in any year between public revenue and expenditure is the result of two sets of causes: the policy decisions and control mechanisms of the Government itself, and the state of activity, which can affect both revenue and welfare expenditure in ways the Government cannot control. A full employment budget balance is an attempt to measure the balance which would appear at a sustainably high level of activity, so that the stance of policy can be described in a way which is consistent from year to year, and is independent of forecasts of activity.

In an ideal world, a cyclically-corrected yardstick of this kind would clearly be helpful. It is common ground between the contending economic schools that a public deficit is appropriate in recession years, but there is endless dispute over its appropriate size. Keynesians try to discover the answer in analysing the demand effect of fiscal changes, monetarists in forecasting how big a deficit can be financed without strain within a monetary target; both measures give rise to acute difficulties in short-term forecasting. A cyclically corrected deficit can in theory be measured without making any short-term forecast, and can thus provide a more stable reference point.

The IFS study provides some suggestive evidence that such a measure can in practice provide helpful guidance. The cyclically corrected balances worked out by the team show far more clearly than did the Budget forecasts at the time that fiscal policy became drastically inflationary in 1973, and was allowed to drift still further into error in 1974 and 1975. It is also interesting that the corrected balance, especially on a moving average, seems to explain a large part of the swing in the balance of payments—an alternative measure of excess demand.

It is also impressive to note that fiscal policy in the countries where this yardstick is routinely used has avoided the grosser errors of British management.

Difficulties

There remain some real difficulties—and a quite incidental advantage which may prove decisive. The basic problem is to define the high employment level against which plans can be measured. This has nothing to do with defining "full employment"—the term for the technique is unfortunate—since the IFS study has shown that any stable definition will serve equally well. However, there is still an implied assumption about the growth of productive potential in the economy, which may not be the same as the growth of the labour force; the Treasury, with experience of long and futile arguments on this topic, is perhaps understandably wary. However, high employment budgeting provides a bonus—a basis for revenue projections against which public spending plans can be judged.

The House of Commons Expenditure Committee has for some years been demanding such a projection without avail. With evidence to hand, the Committee is unlikely to let this new topic drop.

Training the young unemployed

THE Government has accepted, as expected and after only six weeks, the proposals put forward in a special report by the Manpower Services Commission for extending and rationalising the emergency measures already in force to provide further training and work experience for young people unable to find permanent work. The reason for its alacrity is clear enough: the last monthly unemployment figures showed a steep rise in the number of school leavers on the unemployment register and the next will show a steeper rise.

The MSC working party was originally asked to devise a scheme under which all school leavers between 16 and 18 who were unable to find a job should be offered an alternative opportunity. They did not go quite this far, because of the costs involved and pointed out that it was not urgently necessary to provide temporary opportunities for the large proportion of school leavers coming on to the unemployment register in the summer months who would find work within a month. The new package will be available only to those who have been out of work for at least six weeks; it will offer help to 230,000 people a year and cost some £95m. net of social security savings.

Structural

Although it has been accepted by the Government so promptly, this is mainly to enable the necessary planning to go ahead It will not be fully in operation until September of next year, and the MSC expects the number of young people without work to be high by historical standards until at least 1981. Even this may be optimistic. As unemployment has risen in the industrialised countries, it has come to be generally recognised that juvenile unemployment is an international problem and one which may be structural rather than merely cyclical.

In this country, as shown by the revised estimates of the labour force published in yesterday's Employment Gazette, the demographic factor will be of considerable importance. The labour force is now projected to grow by 1.11m. between 1975 and 1981 and a further 1.05m. between 1981 and 1986, and one of the principal reasons for this expansion is the high birth rates of the late 1950s and early sixties. Even were there not an absolute increase in the number of school leavers, however, their relative job prospects would tend to worsen in a period of slow economic growth. Governments and trade unions usually give first priority to protecting the existing jobs of family breadwinners rather than to the claims of those entering the labour market for the first time, and, whether justifiably or not, employers often prefer experienced and tried employees to untried school leavers.

Industry's part

The temporary employment subsidy, a scheme specially devised to encourage companies to postpone threatened redundancies, is a good example of the way in which instinctive reactions to the growth of unemployment tend to work against school leavers. But it is at least possible that some of the factors working to their disadvantage are inbuilt rather than merely temporary. If juvenile unemployment remains high for long, for example, more attention may well come to be given to the effect on it of measures which were intended to make the labour market work more humanely—employment protection, for example, and minimum wage levels. And the new emphasis on training suggests that the situation in this country may be worse than that in some others because of too small a vocational element in our school education. This possibility makes it all the more important that the new measures are as closely related to real work as possible and that industry plays a full part in helping to make them succeed.

A light wave revolution

BY MAX WILKINSON

SIR WILLIAM RYLAND, chairman of the Post Office, picked up an ordinary telephone yesterday and sent his words along a beam of light nine kilometres long to the Department of Industry's Under-Secretary, Mr. Bob Cryer, MP.

He was using a new British invention undreamed of even by the science fiction writers of a few years ago. It is likely to have a profound effect on telephone networks around the world and on some of the basic assumptions about how people communicate with each other.

The light beam system, displayed by Standard Telephones and Cables in London yesterday, uses hair-thin strands of extraordinarily pure glass to replace the traditional copper wires which now carry our telephone conversations. A highly intense laser source the size of a pin-head passes light along glass fibre at the rate of 140m. flashes a second.

These pulses are so fast that they can be used to encode nearly 2,000 simultaneous conversations. It is expected that the system will be developed eventually to accommodate 4,000 simultaneous speech channels for each pair of fibres (one for each side of the conversation). To put this another way, engineers expect to be able to carry 1,000 simultaneous television channels in a bundle of 100 miniscule fibres.

For the first few years of their development optical fibres will make little difference to the ordinary telephone subscriber. He will not know whether his 'phone call is being transmitted by light pulses or by the copper wires of Victorian technology.

As with the present intercontinental satellite links, the initial effects will be limited to the achievement of a slight improvement in quality and a gradual increase in the capacity of the system. But in the longer term, optical fibres, together with other recent advances in transmission techniques, are expected to provide businesses and eventually ordinary homes with such an enormous increase in capacity that a whole range of new services can be provided. The ordinary telephone system will then appear to be a very primitive apparatus.

The possibilities now waiting to be exploited include: piped television programmes, which could be dialled up from a central computer: viewphones which provide a television picture of the person you are calling; a range of computerised services piped directly to the home or office, including reference systems and automatic payment of bills; electronic transmission of newspapers to be printed out overnight on home receivers; the transmission of letters or memoranda down the wires (or optical fibres) instead of by surface mail.

These developments are all technically possible, and with production in volume, there is little doubt that the price of terminal equipment like printers and connections to the domestic television could be brought within the reach of the average householder.

The rapidly falling price of computer components will enable the Post Office to provide the very complicated switching needed for all these services; and the final part of the electronic jigsaw will be provided by optical fibres and other developments in transmission to enable the system to carry the greatly increased load of traffic which would result.

It is important not to be dazzled into believing that the totally integrated all-electronic Paradise is just round the corner. The basic problem facing the British and all other large Post Offices is that they are stuck with a large investment in antiquated equipment which can only be replaced gradually.

The existing worldwide investment in telecommunications equipment is estimated at about £150bn. The British system, which is the third largest in the world after that of the U.S. and Japan, absorbs an investment of £2m. a day. Even at that rate, it will be well into the next century before all exchanges are fully electronic. The renewal of the basic trunk network with optical fibres must be measured in decades rather than years.

On the other hand, the danger of over-emphasising the difficulties and of lamely following rather than leading the new telecommunications markets, is perilous for the British industry. The main reason for this is that many developing countries unencumbered by the dinosaur equipment of the electro-mechanical age, are demanding the latest electronic systems.

The failure of the British Post Office and its suppliers to develop exportable exchange equipment to meet these new world markets has been well chronicled. The lateness in developing new fully electronic exchanges, threatens to be a further handicap. It is fortunate, therefore, that the U.K. appears to be well up among the leaders in developing optical fibres.

What matters now is that the Post Office, whose specifications dictate what home market suppliers make, should be enthusiastic about its potentialities and help its suppliers to exploit a market expected to be as much as £1bn. a year by the mid-1980s. A lot of hard thinking is also needed about the markets which increased transmission capacity will open up.

Glass rod is stretched to form a hair-thin fibre to carry telephone signals at Standard Telecommunication Laboratories.

Optical cable being fed into a manhole on the first leg of the 9 km. route out of Hitchin.

This task is complicated by the very rapid development of technology affecting both the different ways of transmitting signals and the methods for encoding speech, data or television within them.

The main competition to optical fibre seems likely to come from microwave radio which can be transmitted in three basic ways. Over long distances, the beam is bounced off a satellite. Over shorter distances it is sent along sight lines from tower to tower (the Post Office Tower in London is the best known). And in future it will be send underground along a specially made drainpipe or duct called a waveguide, a British Post Office development still in its experimental stages. Waveguides will be able to carry about 500,000 simultaneous calls or 300 television channels, compared with about 16,000 calls in the largest conventional cable.

Although the cost of laying special ducts will be high, waveguides may be preferred to optical fibre for certain medium length routes which carry a high density of traffic.

The great advantage of optical fibres are that they are strong enough to be run into ordinary ducts and so small that a very large number can be carried without enlarging the existing holes in the ground. Furthermore, the glass used in the fibres is of such a high purity that light will travel down its length for 6 km or possibly more before it needs to be boosted by a repeater station. Conventional cables need repeaters every 2 km; and repeaters represent a high proportion of the cost of a line.

Fibres can also go round corners without any loss of signal. This is because they are made of two different kinds of glass, which transmit light at different speeds. One glass is used for the inner core, the other as an outer coating. The place where the two types of glass meet acts as a cylindrical mirror encasing the central core and prevents the light beam from escaping.

The high capacity of light waves is in practice only limited by the speed at which the laser producing the light can be switched on and off to register a pulse.

At present, the radio microwaves which are squirted through waveguides have a greater carrying capacity because the actual oscillations of the wave can be modified (or "modulated") instead of having to be switched completely on or off, to register each pulse. Indeed, each oscillation of the carrier wave can be made larger or smaller to convey one pulse or 'bit' of information.

These rather technical points help to indicate the fundamental change which is beginning to overtake the telecommunications network, the conversion of speech rhythms, music and even television into a high-speed series of pulses. Because fibre optics are fundamentally more suited to carrying pulses, they will play an important part in this general change.

Traditionally, telephones have merely turned ordinary speech waves into exactly equivalent electrical waves which are sent down the wires to vibrate the earpiece diaphragm at the other end. The new pulse or "digital" method is fundamentally different. It uses computer techniques to convert a sound-wave into a series of digits. The machine does this by reading the size of the wave every fraction of a second and compiling what is in effect a list of co-ordinates like those used to describe a conventional graph. These co-ordinates are sent as pulses down the wire to be reconstituted into the original wave at the other end.

Because of the lightning speed of this operation compared with the comparatively leisurely oscillation of sound waves, a large number of conversations can be processed at the same time. The pulse codes relating to each conversation are transmitted in orderly sequence of "packets" which are unscrambled at the end of the fibre or trunk line into the separate calls.

The digital coding of a speech wave is so rapid in an optical fibre system that the time interval between each coding operation, though only the smallest fraction of a second, is still large enough to allow 2,000 other conversations to be processed before the next coding operation is due.

At present, pulse code modulation, as the method is called, is only used for the main trunk routes, but eventually the digital codes will be used for all parts of the network. One of the main advantages is that signals are less subject to being affected by interference. This is because the system only has to detect the presence or absence of a digit and to correct it rather than seek to preserve the nuances of live sound.

The spread of digital methods throughout the network will also allow computers to talk to each other down the same lines as are used for speech or other purposes, rather than having to use a special network as at present.

Once all communications are transmitted in the basic pulse code used by computers the network itself will be unable to distinguish between different types of signal. They will all be scrambled together in the public network. This should provide significant economies if the Post Office can interest the large computer users in transferring to a public switched network.

For some years computer conversations will have to use special lines because the public network is not in general of high enough quality. But the introduction of fibre optics now offers the chance of introducing the necessary improvements.

It is an invention whose full ramifications are hard to predict, but in the view of Mr. Ken Corfield, managing director of STC, it is a development "as significant in the field of telecommunications as the invention of the jet engine was to flying."

MEN AND MATTERS

Skurnicks rejoice

Much rejoicing in Ilford, Essex, yesterday over the achievement of the Skurnick stockbroking family in New York. For 47-year-old Myrna Skurnick, still a British subject though married to an American broker since 1963, is to become the first foreign woman with a seat on the New York Stock Exchange—and the Skurnicks will become the exchange's first husband-and-wife broking team.

All a great source of pride to Juliet Ettinger, back in Ilford, who is Mrs. Skurnick's older sister. "She's a bright girl," declared Mrs. Ettinger, recalling that her sister had started out as a shorthand typist on the old *News Chronicle* (where she harboured unrealisable ambitions to be a journalist) before deciding to sail off to New York. In the case of this resourceful woman, it was almost literally sailing off to a fortune.

She did some secretarial work there for broker Sam Skurnick, who was mightily impressed, as he said yesterday, that "she did letters in two hours which took the local girls two weks." After their marriage, Mrs. Skurnick took exams in broking subjects and passed with flying colours.

Her husband is a genially immodest, larger than life character who rates himself and his one man, soon to be two person, firm the best at dealing with the general public. Some reckon him saint and some sinner for his flamboyant approach to the securities business. Recently, he claimed, he has been battling with the authorities to be allowed to refund losses sustained by clients in bad markets, reasoning that "I make an awful lot of money and I'd rather return it to clients than go to some crooked tax shelter."

He was born in Brooklyn (where else?), his father having been an immigrant from Russia. He bought his NYSE seat in 1972 for $165,000; reflecting hard days in Wall Street, his wife's seat is costing only $52,000. How is Mrs. Skurnick, who has been working as a registered representative on clients' affairs, at the broking game? "She's a good broker." drawled her husband, "in that she takes guidance from me."

Eat first, talk later

It was perhaps a fittting beginning to the end of six months of summitry, pageantry, bread and circus that it should have been lunch at Number Ten which dominated yesterday's European Council meeting in London. It began punctually enough around one o'clock, with Italian Prime Minister Giulio Andreotti pipping the French President to the coveted last-to-arrive place, but it then dragged on with almost Mediterranean insouciance for nearly four hours.

Officially the time was spent on weighty discussions of the future of the JET nuclear project, Britain's budgetary contribution, an account of President Brezhnev's recent visit to Paris and other suitable lunch time topics.

But as the hours ticked by and no sign was seen of the *Prime Ministerial Daimler* procession to Lancaster House, where Foreign Ministers had been awaiting them for two hours, reports trickled out that what was really riveting their attention was the centre court at Wimbledon on the Downing Street telly.

Whatever it was the men from the European Commission were clearly happy that Commission President Roy Jenkins was in there enjoying it with the heads of government, unlike the last summit occasion at Downing Street where he suffered the ignominy of being seated next to the lowly Foreign Ministers.

As for the Foreign Ministers some, like Garret Fitzgerald of Ireland and Hans - Dietrich Genscher of Germany, strolled round in the sunshine to Lancaster House after lunch, while those who preferred the car found themselves squeezed inte a little black Maxi in what looked suspiciously like an attempt to impress them with British austerity.

Fitzgerald himself was on good relaxed form as befits a man making his last appearance as Foreign Minister, although the word is that he is likely to take over leadership of the recently defeated Fine Gael party from Liam Cosgrove.

Perhaps the most symbolic happening of an otherwise rather uneventful day was the arrival of a truck load of bricks for Lancaster House. When told that Europe building was going on inside the truck driver commented: "Well if they want my bricks they can (expletive deleted) well help me unload 'em."

Parliamentary perks

British MPs may not be much richer after yesterday's strictly within-the-limit pay rise offered by the Government. But they may be able to keep a little cleaner as they work notoriously arduous hours.

Following a renewed batch of complaints after last week's sweaty all nighter on the Price Commission Bill, Michael Foot, Leader of the House, has promised a quick start to work on a fourth bathroom for the use of the Commons' 604 male MPs. Lady members are much better looked after—just 27 of them have the luxury of two bathrooms to choose from.

Meanwhile, in the Dublin parliament, the electoral landslide that swept Jack Lynch's Fianna Fail party to power was of such record proportions that there are not enough seats to go around on the Government benches on the Dail. Fifteen of the ruling party's 84 deputies will have to sit across the aisle with the opposition when the house convenes on July 5, and there is already a fair amount of disquiet as to who those banished will be, and on what grounds. Never mind, though, say Lynch's whips, with a majority like ours (20 in a 148-seat Dail) there's really no need for everyone to turn up.

Observer

FINANCIAL TIMES SURVEY
Thursday June 30 1977

Algeria

Under the leadership of President Boumedienne, Algeria has gone a long way towards creating a just society and building up a self-sustaining economy. On the debit side are a number of foreign relations problems that still need solution.

Free from the past

By Robert Graham, Middle East Correspondent

FIVE YEARS ago a visitor to Algeria, as a preliminary to any discussion, was treated to a lecture on Algerian history. It was standard practice to be told about the bitter struggle for independence from 1954 to 1962, the extent of French colonial exploitation and the mistakes of independent Algeria's first President, Ahmed Ben Bella. This was accompanied by an exposé of Algeria's view of socialism, its commitment to anti-imperialism and support for Third World liberation movements. It was a nation with a strong sense of purpose but full of complexes, with a compulsive need to prove itself to the world and to establish its own cultural identity in a psychologically confusing situation created by being both Arab and African, Third World and Mediterranean, Islamic and socialist.

The past still hangs heavy. Indeed it is vital for a real understanding of present day Algeria. But Algerians no longer feel such a need to explain and justify themselves. Algeria is much better understood internationally. The inherent suspicion of, and hostility towards, a professed radical anti-imperialist state on the Mediterranean by the Western powers has largely disappeared—replaced, on both sides by a more mature understanding of what each is trying to do. For instance ten years ago many in Europe were sceptical of Algeria's desire to be sovereign and independent and considered the country was about to become a Soviet base. Now Algeria has the U.S. as its main trading partner.

There is also much greater self-confidence, stemming from achievements inside the country. After a decade of heavy investment, the signs of progress are becoming visible. Socialism has not been merely an article of faith: at least some of what has been preached has been put into practice, principally the state ownership of the means of production. Social inequalities are not disguised, but corruption is limited, unlike the majority of Arab countries and most of the other oil producers. The nation's money is not being syphoned off for the benefit of a ruling elite, independence and 12 years under President Boumedienne's leadership, Algeria has emerged as one of the Third World countries most determined to create a just society and to overcome the problems of developing a viable self-sustaining economy.

Defensive

The one area where people seem defensive is when reproached over the role of women, attempts to increase the influence of Islam, and the use of Arabic. The emancipation of women suffers still from a conservative view of the family and the authorities' premium on the importance of Islam in national culture. Language and religion, the basis for nationality, suffered enormously under colonial rule and, though President Boumedienne is often criticised for emphasising Arabic and Islam, it is equally hard to see a median way of creating a cultural identity. Thus the approach often appears two steps ahead and one back. It seems epitomised by a constitution drawn up in French that states that Arabic is the national language.

Currently, there is a wounded feeling of isolation at the way the Arab world has refused to support Algeria in its commitment to Polisario in the latter's struggle against Morocco and Mauritania to establish an independent State in the former Spanish Sahara. Externally the Saharan issue takes up most of Algeria's time and the situation, which shows no sign of solution, could escalate into a war with Morocco. This is a major destabilising factor for the Maghreb and of serious concern to Algeria which, of course, is the chief sponsor of Polisario.

The other preoccupation, though little discussed in public, is the international credibility of its economic policies. The Algerian Government is staking its long-term economic viability on the success of selling large quantities of liquefied natural gas (LNG), mainly to the U.S. By 1985 Algeria expects LNG sales to have surpassed receipts and looks forward to being the world's leading LNG exporter. Oil revenues, based on known reserves and current planned rates of production, are unlikely to last more than 18 years. Oil has been the backbone of economic development, thus the gas sales are vital to sustain foreign exchange receipts. But to develop the gas, Algeria is incurring a heavy foreign debt, with a debt service ratio touching almost 25 per cent. by 1982 before—it is hoped—declining.

Officials believe that the ultimate guarantor for the economy is world demand for energy and the continued relative cheapness of both crude oil and LNG compared to alternative sources. Undoubtedly the changed attitude of the new U.S. Administration is a big boost for the Algerians in this respect. But the path is unlikely to be smooth. The powerful U.S. Federal Power Commission has been slow and reluctant to grant approval for LNG sales to the east coast. Technical problems with the complex liquefaction plant cannot be ignored either.

Algeria has a comparatively short time span to achieve economic take off from the cushion of hydrocarbons. LNG sales are unlikely on present forecasts to be an important source of revenue much after the year 2005. Conscious of this the Government has begun a major reassessment of priorities. It is now admitted, for instance that the priority given to industry has been at the expense of social development, economic infrastructure and agriculture. Serious imbalances have occurred which need to be rectified. The Press is now quite open about the overcrowding of urban areas, the need to improve the quality of life and the difficulties many ordinary families face in making ends meet.

A recent survey pointed out that an average family's monthly earnings was over $200 short of covering essential needs. What it did not say was how this gap was made up — by moonlighting, relying on small fiddles, perks or, for the less fortunate, simply by greater hardship. Perhaps it was no accident that this survey coincided with the clandestine distribution of a pamphlet prepared by an exiled opposition group headed by Mr. Mohammed Boudiaf (one of the so-called historic leaders of the independence struggle), giving similar figures. Inflation running at just over 10 per cent. is disguised by commodity subsidies and shortages of essential goods (subsidised coffee and sugar are smuggled to Morocco and Tunisia), and small wage increases that are made up through perks.

Margin

Solving the problems is not going to be easy, particularly if President Boumedienne does not wish to go against the socialist principles laid down in the constitution. Unlike its fellow oil producers in the Middle East, Algeria does not have a revenue surplus to allow an efficient welfare state. The margin of manoeuvre is further limited by the exceptionally high birth rate. Algeria's 17m. population is increasing by 3.34 per cent. each year, one of the highest natural increases in the world, with over half the population under 20—increasingly articulate and conscious of the aspirations of a modern consumer society.

The major cabinet reshuffle in April was clearly an earnest indication that President Boumedienne intended to tackle these problems. The breaking up of Mr. Belaid Abdessalam's empire at the Ministry of Industry into three separate ministries and the stiffening of other portfolios such as housing with well proven men can be taken as a change of emphasis. Mr. Abdessalam, the man most closely associated with Algeria's economic policy for over ten years, especially industrialisation, has been moved to light industry. This must be seen as a demotion of sorts, although President Boumedienne's advisors deny this, saying he still enjoys the President's confidence.

The cabinet reshuffle—arguably the most important since President Boumedienne came to power in 1965—must also be seen in a purely political light. Not only was the most powerful economic figure seemingly downgraded; but also two key military personalities were switched. Colonel Ahmed Draia was moved from the Ministry of the Interior to Ministry of Transport, and Colonel Ahmed Bencherif went from being head of the para-military gendarmerie (the best organised force in the country) to a newly created Ministry of Water Resources.

To outside observers it looked very much as though the three most important alternative sources of power were being broken up. Yet this is probably too simplistic a view. The change, which took several months of negotiations, must be seen aginst the background of the intricate interplay of forces and personal allegiances that has been going on since 1965. Only rumour has come out of these negotiations.

The inner workings of power remain very secret in Algiers. If the direction of President Boumedienne's policies were in any way under challenge, he has certainly emerged even more as leader of the country. The reshuffle did not fill the post of Prime Minister or Defence Minister, both of which he still holds. His authority as chief executive, moreover, was endorsed in the constitution approved last November. The constitution also confirmed the movement away from the principle of "collegial responsibility," as symbolised by the Revolutionary Council. This body was formed at the time of Ben Bella's overthrow to unify all the diverse elements who combined to depose the former President. Through exile, death or suicide the 26 original members have dwindled to nine. Its role, as a monitor of the principles of the Algerian revolution, has been rendered obsolete by the national charter—a 190 page document outlining the country's ideological guidelines and development policy approved by referendum last July.

The obsolescence of this body, which once conceived of President Boumedienne as being merely first among equals—deriving his title from the fact that he was the senior member of the Revolutionary Council and not the elected head of state—is eloquent testimony of the evolution of Algeria's institutions. The country now has a constitution which vests supreme authority in the President but gives no proper juridical basis to the Revolutionary Council. The constitution was the culmination of a slow process of institution building begun by President Boumedienne over eight years ago with the election of new local councils, then proceeding through regional assemblies to the reactivation of the National Assembly.

The one thing missing is a Congress of the single party, the FLN, and which, according to the constitution, must follow the adoption of the constitution. Since the dismissal of the party secretary, Mr. Kaid Ahmed, more than three years ago the party has tended to drift. Though every single national action is carried out in the name of the party, its strength has become more apparent than real.

Congress

No date has been fixed for the Congress, though officials say it will be held next year. The more disenchanted Algerians say the leadership has been intending to hold the Congress for over seven years and will, therefore, only believe in it when it hapens. Clearly President Boumedienne is anxious to avoid the opening up of old sores which are still not fully healed—such as the role of the military in running the country, the right of the "historic figures" to dictate policy, the direction of Algerian socialism and the fate of Ben Bella (still under house arrest near Blida outside Algiers). For this reason he is likely to move cautiously. But the longer the Congress is delayed the more it will raise doubts about the party's viability as a political force. Moreover, only when this assembly has been convened will it be possible to say that Algeria has closed the last page on the first revenue surplus chapter of the country's history.

Economic guidelines under revision

A CHANGE in the position of the man most closely associated with Algeria's industrialisation—the central plank of the country's development policy—inevitably raises questions. Mr. Belaid Abdessalam had been Minister of Industry and Energy for over ten years until the Cabinet reshuffle in April. He was, without doubt, the most formidable and dominant ministerial figure concerned with the economy; and while he ran the Ministry investment allocations for industry accounted for a good 50 per cent. of total investment outlays. Moreover, it was he who was largely responsible for drawing up the economic part of the National Charter, Algeria's ideological guidelines and development aims approved by referendum last year.

Against this background the Cabinet reshuffle and Government reorganisation in April has acquired major significance. President Boumedienne chose to split the Ministry of Industry into three separate portfolios—energy (oil and gas), heavy industry and light industry. Mr. Abdessalam has been given the portfolio for light industry. The other two new ministerial posts carved out of the old ministry have gone to men with enormous experience in their respective fields. Mr. Sid Ahmed Ghozali became Minister of Energy, having presided over the national hydrocarbons concern, Sonatrach, virtually since its creation; and Mr. Mohammed Liassine became Minister of Heavy Industry, having had similar experience for more than ten years with the national steel company, SNS.

These changes, coupled with the strengthening of several other ministries, caused a flurry of speculation, both within Algiers and outside, which has not wholly subsided. As far as the economy is concerned the changes pose two main questions. Is this the sign of a major change in the direction of economic policy? Is this an implied criticism of Mr. Abdessalam's exceptionally strong emphasis on industrialisation, in particular on high technology capital-intensive industry?

What has happened, it seems, is that President Boumedienne has decided to carry out an important mid-course correction without a complete change of tack. The basic objectives set forth in the national charter remain unaltered—namely that Algeria is aspiring, through State ownership of the means of production, to expand its productive base to achieve self-sustained growth with an exceptionally high level of investment, and to achieve a maximum degree of economic independence. The change is one of approach and method, which with time could become more pronounced.

Senior advisers to President Boumedienne say that the time has come to "digest" the consequences of almost a decade of rapid development, especially in the industrial sector. (Since 1969 GDP has risen from $9.9bn. to $14.4bn. in 1976, with last year's growth averaging 11 per cent.) The second four year plan is due to be completed at the end of this year, and Algeria has now acquired — at considerable strain to other sectors — the basis of an industrial infrastructure which will help to diversify the economy away from its dependence upon hydrocarbons. The advisers argue that it is essential to examine the results and see what can be learned before proceeding further. It is no accident that next year will be officially regarded as a "year of pause," with the next plan being formulated from 1979.

Concern

The main concern is to remove the sectorial imbalances that have arisen and to improve economic management at all levels. Officials freely concede now (something they would have been reluctant to do even two years ago) that the sectorial imbalance has been the direct result of the concentration on industry. Even in 1974 when the second plan was revised to accommodate the 1973 oil price rises, with annual receipts going from $1.7bn. to $4bn., industry still got the lion's share.

For the first time last year were signs of concern that non-industrial investment was too low. The 1976 budget held industrial investment steady at $3.2bn., while non-industrial allocations rose from $2.3bn. to $3.4bn. Although the 1977 budget envisages a sharp increase in overall outlays—the development budget rising 37 per cent. to $2.9bn., and the State enterprises budget 44 per cent. to $6.1bn.—this trend is more pronounced. Previously neglected areas like housing, urban and rural development and transport have been singled out for sharp injections of funds, while new emphasis has been placed on education and agriculture.

Unlike other Middle East oil producers, Algeria could initiate large-scale industrialisation without having to concentrate on social and economic infrastructure. The French colonial investment in roads, transportation, ports, housing, sewerage and electrification had been sufficient to allow the Government to concentrate its energies elsewhere. However, the cumulative effect of relying on existing structures has been a gradual decline in urban living—tremendous overcrowding and a dramatic housing shortage, with all its attendant problems, plus increasing pressure in the rural areas where aspirations have been aroused for higher living standards. Added to this has been the impact of Algera's high birth rate. The population, which now stands at over 17m. is increasing at an annual average of 3.34 per cent., the highest natural rate in the Middle East, with 56 per cent. under 20 and almost half the population under 15 years old.

As a result of these pressures, there has been a sharp increase in allocations especially for housing and transportation. Investments budgeted for State enterprises concerned with transport have increased almost 100 per cent. to $635m.; and State enterprises concerned with urban housing have had their investment budgets raised over 200 per cent. to $620m. this year. The Housing Ministry itself has also been stiffened by the appointment of Colonel Aouchiche, who acquired the reputation for efficient management of military construction. Thus the composition of investment has begun to change. In the two-year period 1974 and 1975, non-industrial sectors accounted for 40 per cent. of the total. By the end of 1977 this percentage could be as high as 52 per cent.

Within the industrial sector more emphasis will be given to light industry, both to satisfy an increasingly heavy demand for locally produced consumer products and to ensure that full benefit is derived from the heavy base industries. As for agriculture the Government is still concentrating its attention on the "socialist sector." This comprises the so-called self-managed farms (the best land taken over by the peasants in 1962 when the colonels left) and the co-operatives. Abroad Algeria has been frequently criticised for devoting too little attention to agriculture. But the problem is less one of investment than management and organisation, coupled with a comparatively low level effort to modernise traditional methods in the private sector, which still holds the bulk of land in small holdings. (The socialist sector is covered virtually 100 per cent. by fertiliser inputs, the private sector only 12 per cent.)

Equally significant has been the recognition of the need to improve economic management and planning. So far there has been a great deal of wastage and inefficiency. The relationship of the myriad State companies both among themselves and to the banks and Treasury remains ill-defined; their financial structures are weak; the bigger companies are becoming bigger and enormously cumbrous, such as Sonatrach. The yardstick for measuring the validity and viability of projects has often been a confused mixture of the desire for economic independence and the need to satisfy a number of social and political considerations, such as providing jobs in rural areas or providing the hinterland with modern industry. There is no coherent strategy on the use of Algeria's scarce water resources. Water is exceptionally scarce yet factories have been established without real long-term consideration as to whether the water used industrially could be better employed for irrigation (so raising agricultural productivity).

Industrial productivity has been patchy. One senior official conceded that productivity was as low as 40 per cent. of capacity in some plants. There has been no attempt to relate wages to productivity. Rather wages have reflected the availability of labour or the scarcity of skilled personnel and the prestige of certain companies. As a result considerable disparities exist, both within specific sectors and different companies, between the civil service and industry, the small private business sector and State companies and between regions. A new policy towards wages is the central topic now being discussed by the Council of Ministers.

Limited

These are all growing pains—and it is worth mentioning that they are less in evidence in Algeria than among the other Middle East oil producers. On the other hand Algeria cannot afford to wait too long before economic management and planning improves. Its margin of manoeuvre is strictly limited. Oil has permitted the level of development, but Algeria has oil reserves that at present planned rates of production (reaching 55m. tons in 1978) will not last more than 20 years. Unless new discoveries are made, production and exports will decline well before that. To give a comparison: Algeria has more than twice the population of Iraq but four times less oil reserves; Iran has twice Algeria's population but ten times its oil reserves.

The need for proper management and clear sense of priorities is even more imperative now that Algeria is approaching a delicate financial phase. Over the next five to seven years it will be incurring an increasingly heavy foreign debt as it borrows abroad commercially from international institutions or the banks to finance the incredibly expensive investment necessary to export liquefied natural gas (lng). Algeria is staking its entire future economic stability on the success of its lng sales.

The World Bank recently estimated that Algeria would need to borrow, on a disbursement basis, an average of $3bn. a year in the period 1977-82. This will be primarily to finance investment in the development of the gas fields, pipe construction, the liquefaction plant and lng tankers. This is going to increase the debt service ratio sharply. Last year disbursed debt outstanding stood at $6.6bn., giving a debt service ratio of over 15 per cent. According to the central bank, the debt service ratio this year could reach 18 per cent.; while the World Bank projects this percentage to reach beyond 20 per cent. by 1980. Some estimates predict the debt service ratio going beyond 24 per cent. before it begins to decline around 1985.

This scale of debt service raises the inevitable question whether Algeria is placing too heavy a burden upon itself. International bankers raise the spectre from time to time of Algeria becoming like Mexico, or worse like Zaïre. The Algerians themselves are acutely conscious of such thinking, but they are going ahead with the development of their gas reserves—the largest outside the U.S. and the Soviet Union—in the belief that the international market needs gas. The Algerians also realise that lng and gas sales are the sole means of ensuring a substantial inflow of foreign exchange through to the turn of the century when crude sales can no longer be relied upon. As it is hydrocarbon sales account for 90 per cent. of Algeria's $5.3bn. worth of exports; the only other source of foreign exchange being workers' remittances, currently worth $265m. a year, and limited agricultural sales.

Algeria is counting on being able to sell some 70bn. cubic metres of lng a year by 1985, making it easily the world's largest lng exporter. The ultimate success of this plan hinges upon the evolution of the price paid for lng. From the Algerian point of view there has been an encouraging change of attitude by the new Carter administration in calling the attention both of U.S. consumers and of the industrialised world as a whole to the growing shortage of traditional energy supplies.

The most tangible sign of a change of heart in the U.S. towards accepting the principle of U.S. purchase of large quantities of Algerian lng has been the recent waiver of the ceiling on imports from any one country (28bn. cubic metres a year). Algeria plans to sell over 40bn. cubic metres a year, or 60 per cent. of total annual sales, to the U.S. Algeria still has not wholly dispelled political objections within the U.S. on being a potential "risk" as a supplier. But this issue is probably a diminishing one, and it is more a question of being able to have their lng landed at a competitive price on the east coast. Over the past eight years the price has moved from $0.30 per million btu to $1.40. In spite of all this it is worth stressing that only one U.S. contract has been unconditionally approved—with El Paso—representing less than a quarter of total planned U.S. sales, and the programme for deliveries is as much as three years behind schedule.

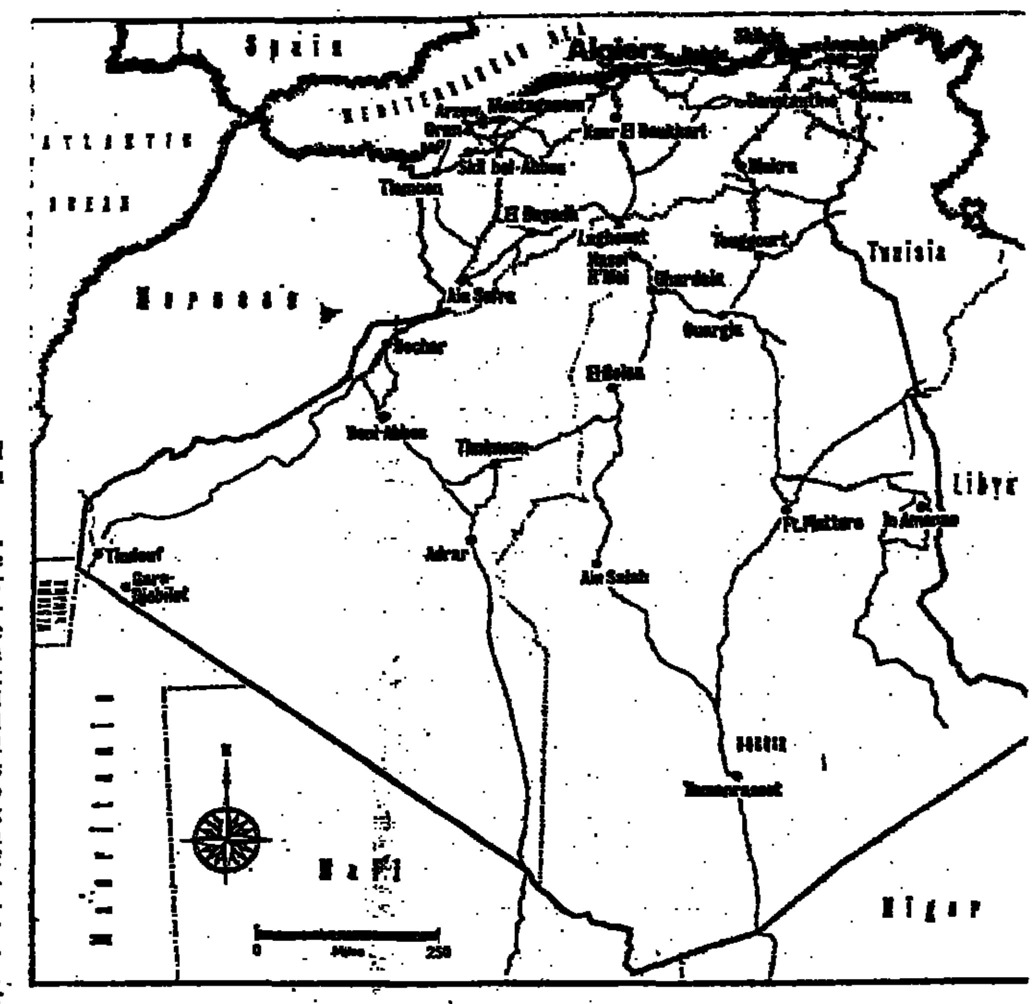
There is another element of risk: the highly complex technology involved in liquefying the gas and the need for a whole series of linked installations—from the gas gathering system to the piping through to the liquefaction and transport—to be functioning properly. A breakdown of a liquefac plant for instance, which pened at Skikda for th months last year, cannot be cluded. This could have ser repercussions on revenue the consequent ability to re loans. The critical period this respect will be aro 1980, when the bulk of li faction capacity under const tion or planned should be stream. While accepting risks of production halts technical reasons, the Algeri believe their experience is stantly being refined.

On conservative calculati Sonatrach reckons that in at 1976 prices (calculated $1.26 per m.btu) sales from condensate and lpg will $5.3bn. against crude sales $4.45bn. The $5.3bn. is ba upon 40 per cent. lng, 40 cent. condensate and 20 cent. lpg sales. By 1985, a at 1976 prices, Sonatr reckons to be having an come of $7.4bn. (50 per c lng, 30 per cent. condensate per cent. lpg) against cr receipts of $4.5bn. The W Bank has come up different estimates based u different price projections. if things work as planned i clear that sometime aro 1981-83 crude sales will be passed as the main foreign change earner, and that the rent account balance of ments, at present $1.2bn., w fall back by 1985 and perh have been eliminated.

There is another scen which is less discussed. tremendous effort devoted producing revenue from could once again distort economy and divert valu funds from other sect Algeria would then be left a costly debt service struc and still be faced with tack its fundamental econo problems—expanding the l of employment and provic new jobs for those entering market for the first ti balancing regional deve ment, improving the pro tivity of agriculture and creasing the number of trai personnel.

The Algerians know full that development of hydro bons does not solve any these fundamental proble but merely provides the fi cial means to help solve th It is a formidable challe But judging by past experie the Algerians like a challe and like to win.

Robert Grah



BASIC STATISTICS	
Area	895,592 sq. m
Population	17.
GDP	AD29.
Per capita	AD1.
Trade (1975)	
Imports	AD23.1
Exports	AD17.5
Imports from U.K.	£78.
Exports to U.K.	£87.
Trade (1976)	
Exports	AD21.1
Imports from U.K.	£16
Exports to U.K.	£80.
Currency: Dinar £1=AD7	

The Hotel Aurassi, overlooking Algiers.

Euromarket loans ease the strain

ALGERIA IS back in the Euromarket for its first major loan in 13 months and another and even larger one could be on the way. The past year has not been an easy one on the financial market for Algeria and the next few weeks are crucial in more ways than one.

The latest loan is for the State shipping company, Compagnie Nationale Algérienne de Navigation (CNAN). It has been around, in one form or another, for about a year. Earlier this year Citicorp got the mandate to raise the money, which CNAN has earmarked for the downpayment on some new liquefied natural gas (LNG) carriers it would like to order. Some banks have declined to participate because they believe Algeria should concentrate all its efforts on finishing the major gas liquefaction plant known as LNG1 at Arzew in Western Algeria, which is 18 months late.

They know that CNAN already has two lng vessels in mothballs and the U.S. company which has contracted to buy the gas from Lng1, El Paso Natural Gas Company, has a further two laid up. Such laying up operations are extremely expensive and these banks, although they do not dispute that it is cheaper to order ships now than later, feel that if CNAN wants more ships it should find the money needed for the downpayment from its own pocket.

The second loan is a different matter. The Algerian State oil and gas corporation Sonatrach is raising money to help finance the cost overruns of LNG1, estimated at $650m. Exim Bank is understood to have lent $150m. but some of the gap will have to be bridged by the market.

The same banks which are less than keen on the CNAN deal are prepared to discuss a loan which will help to finance some of the cost overruns. They already have invested a lot in the future of Algerian gas and have no intention of abandoning Algeria at this crucial hour. They know that the delay is far from being entirely the fault of Algeria. The contractor building the plant was sacked last year and Bechtel took over. Gas is expected to start flowing at the end of this year or the beginning of 1978.

It will be of great interest to see what spreads Algeria pays on this second loan. In recent months the suggestions from various participants in the market that the country should pay a spread of 1¾ per cent. over Libor for its money, instead of the ⅞ per cent. so far, have been fiercely resisted by Algerian negotiators even if front-end fees have increased markedly. As it is, spreads generally have come down so the Algerians might succeed in holding the line.

Helped

They might also be helped by various figures concerning their country's economic position and the details about its overseas debt which have recently come to light. Recently available World Bank data suggests that the maturity structure of the debt is very sound; most of the money has to be repaid after 1981 when large quantities of lng come on stream. Hence again the conviction of many bankers that speeding up the building of the first lng plant is essential.

Figures recently released by Algeria show the total contracted debt standing at $10.5bn. in 1976 while the figure of disbursed debt stood at $6.6bn. The same study projected debt service as absorbing 14.6 per cent. of receipts from visible exports in 1976, 17.8 per cent. in 1978 and 1980, 24.9 per cent. in 1982 and from then decreasing.

Provisional data on the performance of the country's economy last year are good. The 1975 deficit on visible trade of $824m. was turned into a surplus of $300m. last year and the current account deficit was reduced from $1.5bn. to $300m. This was essentially the result of a sharp increase in the sale of oil and natural gas, which between them account for 96 per cent. of the country's exports. Reserves also increased from $1.3bn. at the end of 1975 to $2.1bn. at the end of last October, a figure which is not believed to have changed significantly since.

A further explanation for the good figures is the excellent cereal crop in 1976. In 1975 the country spent a third of its oil and gas income on importing food and subsidising some staple foods such as coffee, wheat and sugar inside Algeria. The situation will not be as good this year because of the two-month drought last February and March.

Last year the authorities also succeeded in holding back on imports of some non-essential goods and with the break-up capital of the powerful Ministry of Industrial and President Boumedienne's increasing insistence on consolidation, observers believe Algeria's priorities are slowly changing — with less building of new factories and more effort put into ensuring that the ones already up work properly.

Other problems exist in the market for banks dealing with Algeria. For example, State companies do not always appear to make sure they have full authority before they begin negotiating a loan. Furthermore, the competition between two of Algeria's banks involved in foreign borrowing, the Banque Extérieure d'Algérie and the Banque Nationale d'Algérie, has been known to confuse situations. More important are two problems which are not easy to solve.

One is what many bankers feel is a shortage of information. To be fair to the Algerian authorities it must be said they have made a big effort but the shortage of skilled personnel is not easy to remedy. There is also a widespread feeling that not so much information need be classified. Very important for some banks is whether they will be able to get projections of its cash flows from Sonatrach: this factor, as much as any, could determine the conditions on the next Algerian loan.

More important is the manner in which the market can "seize up" on Algeria. This comes from the insistence of the Algerians that companies tendering for projects in the country must also find the finance. Most of this comes in the form of cheap export loans but many companies still have to turn to their banks, which in turn freeze lines of credit. Tenders can take months to be attributed. Meanwhile funds are earmarked for Algeria which cannot be used say as a participation in a medium-term credit. Add to that the simple fact that a number of U.S. banks are close to their lending limits and the reason for the bumpy ride Algeria has been having in the market of late is not hard to find.

However, much as soft loans from government export credit organisations help, Algeria needs the market and will continue to do so.

The delay over the approval of a number of gas export contracts to the U.S. signed over the past few years and which still await the approval of the Federal Power Commission in Washington is a further hurdle and one of major proportions. In many ways this situation is a good test case of how banks are trying to come to terms with the problems of one Less Developed Country and how Algeria is learning to use the market.

Francis Ghilès

New oil finds are unlikely

ALGERIA IS one of the smaller oil producers in OPEC. Algerian crude accounts for less than 4 per cent. of total OPEC production, placing it 10th in the 13 member organisation. This position is unlikely to change substantially, unless there is a significant new find. Those in the oil business believe that Algeria will be doing well to raise production to 60m. tonnes a year. Moreover if Algeria produces at around this level then it will be lucky to sustain production beyond 20 years.

Current proven reserves stand at approximately 9.4bn. barrels, on the basis of the latest Sonatrach estimates. Independent studies by both Bechtel and oil consultants De Golyer and McNaughton have recently been commissioned to back these Sonatrach findings. This comparatively slim reserve base in relation to other Middle East producers has dictated a policy of maximising the life and productivity of existing wells through second recovery methods on the one hand, and an expensive and determined search for new fields on the other.

Productive

The main productive wells, dating back to discovery in the late 1950s, are located round Hassi Messaoud and on a south-easterly line towards the Tunisian border deep in the Saharan Desert between 500 and 700 kms from the coast. Last year production totalled 50.09m. tonnes, and this year it is expected to reach 50.5m. tonnes. The principal means of raising production levels is through water injection or gas injection to increase the rate of recovery. At least three major fields are being exploited now by secondary recovery methods. In particular the largest field, Hassi Messaoud is having equipment installed to allow the injection of up to 66,000cm3 pf water a day. As a result it is hoped to raise total production next year to a total of 55.3m. tonnes—Sonatrach reservoir engineers have postulated an optimistic figure of 55.7m. tonnes.

If reached this would be a record production level. But one should add that Sonatrach until recently had been proven over optimistic in its assessment of production capacity. In the early 1970s senior officials had stated as an article of faith that Algerian production could reach 65m. tonnes. Now it appears that such levels could only have been approached—and not attained—if investment in second recovery had been started much earlier. Indeed delays in pressing ahead with second recovery has limited the amount of crude recoverable, according to foreign oil experts.

Sonatrach last year invested a total of $625m. on the development of its oil resources of which almost $250m. was taken up by exploration. A similar sum has been allocated this year. This is an exceptionally large allocation and underscores Algeria's desire to lengthen the life of its oil resources and increase reserves. Sonatrach reckons that exploration in the past five years has enabled it to add a mean average of 1m. tons a year to potential production. Yet what this conceals is that many of the finds have been small and only marginally commercial. There has been no major new find.

The list of disappointments in exploration includes most of the foreign companies who have come in on a 49/51 basis with Sonatrach. Getty oil has spent over $100m. and found nothing in over five years; Sun Oil has left empty handed so has Deminex after spending some $130m.; Amoco is still active. Meanwhile the only positive finds have been on a small scale so far. Hispanoil is producing 100,000 tons from a limited find; and Petrobras has found crude at Biskra with a flow rate of 6,000 barrels a day. This is the most interesting in that oil has never been found in this region before or outside sandstone. The biggest find has been by Total near Ain Amenas which is equivalent to 2m. tonnes a year.

In all Sonatrach has some 140 rigs. Policy has been twofold. Where known fields exist Sonatrach has sought to define their limits precisely. Secondly it has tended to concentrate exploration on the same axis—from Hassi Messaoud through to the Tunisian border. Only a small proportion of exploration has occurred in untried areas. Sonatrach engineers believe that there is more oil to be found. But until this happens it is safer to assume limited extra crude resources. Elf for instance in 1975 opted out of a programme of investments (dating back to the 51 per cent. takeover by Sonatrach in 1971 of the French oil field interests) on the consideration it was cheaper to buy the crude than risk heavy cash injections. Thus of the French companies only Total remains in partnership with Sonatrach.

Algerian crude is of exceptionally good quality. It is light with a low sulphur content, particularly attractive to those markets conscious of anti-pollution measures. Moreover its proximity to European and North American markets have given it considerable freight advantage. Thus in recent years it has become one of the most sought after, especially in the North American market. At $14.30 per barrel is also one of the most expensive. Sales have not been affected in any way by the two-tier price structure in operation since January—although Algeria was part of the majority of 11 that agreed to raise prices by 10 per cent.

Cautious

Revenue from crude last year amounted to $4.06bn. and this year will go beyond $4.1bn. Sonatrach, on a cautious view and using 1976 prices, has estimated that revenue from crude sales will be $4.45bn. in 1980. The variable is the full extent to which second recovery will raise production, and the influence of increased domestic consumption which is rising at 15 per cent. a year.

In the future revenue will be composed somewhat differently. More crude will be switched to gain added value from refined products (in addition to the Arzew 60,000 b/d refinery, a new 15m.-ton-a-year refinery will be built by Snam Projetti at Skikda). Secondly the introduction of new equipment at Hassi R'mel will expand production of condensate. Thirdly production of liquid petroleum gas will be expanded. By 1985 Sonatrach plans to be producing 20m. tons of condensate and 8.5m. tons of LPG. Latest forecasts suggest as much as 5m. tons of condensate will be produced in 1980.

Thus instead of crude accounting for over 85 per cent. of hydrocarbons revenue, by 1980 this percentage will be cut to 65 per cent.; and by 1985 it will be reduced to 38 per cent. Indeed while crude sales will remain fairly constant in 1976 prices, sales of condensate, LPG and liquid natural gas will increase sharply. Sales of the latter—split 40 per cent., 20 per cent., 40 per cent.—should amount to $2.5bn. in 1980 and $7.4bn. by 1985, according to the latest studies by Sonatrach. Meanwhile crude sales will remain at $4.5bn. In other words in the early 1980s the importance of crude as the single largest source of foreign currency earnings will be replaced by other hydrocarbon exports.

R.G.

Economic hopes pinned on gas resources

ALGERIA possesses roughly 12 per cent. of the world's known gas reserves, with only the Soviet Union and the U.S. having more. Gas is the country's single most important natural resource. But exploitation of these huge reserves, located deep in the Sahara, has proved frustratingly slow for the Algerians. They have opted to exploit the gas via sales of liquefied natural gas.

INVESTMENT IN GAS DEVELOPMENT ($bn.)	1976	1977	1978	1979	1980
Investment excl. liquefaction	0.6	1.2	2.5	3.0	2.3
(of which pipe)	0.4	0.7	1.1	1.6	1.4
Liquefaction plant	0.2	0.4	1.9	1.5	1.7
Total	0.8	1.6	4.4	4.5	4.0

Source: Sonatrach projections.

Technical and contractual problems have dogged the erection and functioning of the *liquefaction plants, while* political considerations along with environmental and price issues have delayed approval of the sales contracts. As a result the LNG programme is anything between two and three years behind schedule. But considering that Algeria has been a guinea-pig for the complex technology of gas liquefaction, and that it has been trying to break into the U.S. market, such delay is not surprising.

Initially the Algerians envisaged their main market for gas sales in Western Europe—in Britain, France, Italy and West Germany. The first clients were indeed the British Gas Council (as then known), and Gaz de France which began taking deliveries of LNG in 1964 from the CAMEL liquefaction plant at Arzew on the coast of Western Algeria. The CAMEL plant, with a 1.6bn. cubic metres annual capacity, was conceived on a small scale and was the first such installation ever to use the liquefaction technique.

This conception of the market underwent a reappraisal in the late sixties. European market prospects were partially eroded by the discovery and development of gas in the Netherlands and similar finds in the North Sea. Perhaps just as important, the Soviet Union carried out an aggressive sales campaign in both East and West Europe to promote its own natural gas. Soviet gas had the advantage of being piped direct without the cost of investing in expensive LNG tankers or terminal facilities. The quantities Algeria hoped to sell France, Italy and West Germany have been affected because of these considerations.

When Sonatrach, the State oil and gas concern, first turned towards the U.S. market there were many sceptics who doubted that Algeria could land LNG on the U.S. east coast at the right price. Furthermore, Sonatrach *faced — or rather Sonatrach* clients seeking to buy Algerian gas faced — powerful lobbies within the U.S. opposed to such a deal. The Federal Power Commission (FPC) also had to be persuaded to give its approval — another obstacle. Finally, Algeria had to overcome the stigma of being a "risky" source of supply since it had participated in the oil embargo against the U.S. at the time of the 1967 June war and had broken off diplomatic relations because of American support for Israel.

Contracts

The first American contract was signed in October 1969 when El Paso agreed to purchase 10bn. cubic metres a year of LNG over a 25-year period. Since then five other contracts have been signed, which will mean eventually U.S. east coast and Canadian purchases of 41.7bn. cubic metres of LNG a year—equal to just over 60 per cent. of total planned gas sales, and somewhere just below 5 per cent. of total U.S. demand. The contracts are as follows: El Paso I, for 10bn. cubic metres; El Paso II for 10bn. cubic metres; Panhandle for 4.5bn. cubic metres; Tenneco for 10bn. cubic metres; Easco for 6bn. cubic metres; and Distrigas for 1.2bn. cubic metres. In each case the figure represents the annual average.

No deliveries have taken place on these contracts, even though the first El Paso contract was signed almost eight years ago. Only one deal, moreover, has received unconditional approval from the U.S. FPC, and that is El Paso I. The Panhandle deal recently received a setback when the FPC ruled that it could not accept the clause in the contract allowing for automatic escalation every six months in fob price. (The regassified price was approved at $3.37 per million btu.) Furthermore, the FPC rejected the idea of a "rolled-in price" that is, that Panhandle was able to include the price of Algerian gas with existing supplies to make an average price, thus ensuring that the Algerian gas was less costly. The FPC approved the deal on condition that the price was the full one paid for Algerian gas.

Sonatrach believes that the U.S. gas industry will challenge this ruling, and Panhandie has already done so.

More generally the Algerians hope that the uncertainties on this and the other contracts will be clarified by the end of the year. Some regard such a view as optimistic since the purchasers on the East Coast face strong pressure from environmental lobbies given the potential danger from LNG cargoes. Tenneco, for instance, has already decided to locate its terminal in Canada to avoid environmental protests.

A significant development last month was the apparent waiver by the new Carter Administration of a ceiling on gas imports from any one country. This ceiling has been previously set at 28bn. cubic metres a year. In other words, if strictly applied Algeria would have been able to sell only 65 per cent. of total anticipated contracts overall. The approach of the Carter Administration to energy problems, and its recognition of the squeeze on energy supplies, favours clarification of the uncertainties that hang over Algerian gas sales to the U.S.

Within Europe Sonatrach's chief client is, and will probably continue to be, Gaz de France. Sonatrach already has two sales contracts operational with Gaz de France — one supplied from CAMEL, the other from the Skikda liquefaction plant which came on stream in 1972. In all France is receiving 4bn. cubic metres a year. A third contract signed last year will raise this further to 7.5bn. cubic metres a year and eventually Sonatrach believes France will buy 9bn. cubic metres a year. This latter deal was concluded following the breakdown of talks between Sonatrach and a consortium of European gas companies which included Gaz de France.

LNG PLANT AND PROJECTED CAPACITY Plant	Capacity (bn. cubic metres)	Cost* ($m.)	On stream	Status
Camel	1.6		1964	
Skikda	4.5		1972	
Arzew LNG I	10.5	640	1978	First train ready 1977
Arzew LNG II	10.5	1,400	1980-81	Site work only
Arzew LNG III	15.5	2,200	1982	Design phase
Skikda extension	4.5	158	1978	First train ready 1977
Skikda II	10.5	1,300	?	Out to tender
Arzew LNG IV	5.5	600	?	Under study
Centre LNG I	10.5	1,300	?	Under study

* Outstanding cost at 1976 prices.

Source: Sonatrach.

The consortium known as SAGAPE (Saarfergas, gasversorgung Suddeutschland and Bayerische Fergas of West Germany, Gaz de France, Distrigaz of Belgium, Swissgas and Austria Ferngas) was to have purchased 15.5bn. cubic metres a year, and in return to provide financing for LNG export installations in Algeria to the tune of $1.5bn. late in 1974. Some of the consortium members told Sonatrach they could not carry out their obligations and sought to renegotiate the deal. This move proved abortive. Thus Sonatrach found itself with what it regarded as a binding contract in which SAGAPE was either unwilling or unable to provide the agreed financing, according to marketing director Mr. Ait Laoussine.

Meanwhile Sonatrach had incurred much expense in ordering tankers (one is now in mothballs in Norway, and a second will shortly join it, each one costing $120m.). The two sides are now involved in a legal dispute, wth SAGAPE denying the existence of a binding contract. The net result has been for the German utilities to drop out of the purchase scene for the moment, along with the Swiss and the Austrians. But the Belgian Distrigaz has negotiated a separate agreement for the delivery of 5bn. cubic metres a year.

Weariness

The fate of SAGAPE illustrates both the problems of dealing with a consortium and of relying upon the purchasers to finance installations in Algeria. It also revealed the continued weariness of opinion within Europe on Algerian gas purchases. Italy, the most energy-dependent country in Europe, is potentially Algeria's biggest gas client. But so far the kind of large-scale deal which has been talked about for many years (even before independence at the time of the late Dr. Enrico Mattei) has not materialised. In 1973 a contract was signed by Sonatrach with ENI which envisaged the sale of gas—not LNG—to be piped via Tunisia across the Mediterranean undersea and then up the Italian coast to La Spezia. The contract envisaged the sale of 11bn. cubic metres a year.

This contract was very nearly cancelled last year as the Tunisians were insisting on a levy which was higher than th[e] other two parties felt w[as] reasonable. However, an agre[e]ment looks likely now, partic[u]larly in the face of mu[ch] improved Tunisian-Algeri[an] relations.

The only other gas deal co[n]cluded is with Spain for 4.5b[n.] cubic metres. In the meantim[e] Britain's purchase of 1m. cub[ic] metres is a contract unlikely [to] be renewed when it expires [in] three years' time. If kept at th[e] existing price it would [be] interesting if the British G[as] Corporation were to prolo[ng] the contract, but the Algeria[ns] have said this is impossibl[e]. On a sentimental plane th[e] Algerians would like the co[n]tract to continue but recogni[se] it no longer makes sense f[or] Britain.

In one sense the subject [is] approached backwards by di[s]cussing the sales end first. Ye[t] basically the Algerians hav[e] been obliged to find sales ou[t]lets before developing the ga[s] fields and building the lique[]faction plants because the ou[t]lay is so substantial. Accord[]ing to Mr. Laoussine it require[s] roughly $2.5bn. investment fo[r] a sales contract of 10bn. cubi[c] metres a year.

The outlay in Algerian terri[]tory can be split into thre[e] sectors — expenditure on "gathering in" the gas and piping it to the liquefactio[n]

CONTINUED ON NEXT PAGE

Slow progress with the EEC

EVER SINCE IT gained independence 15 years ago, Algeria has looked to the European Community for a partnership which could help it to diversify away from its traditional economic reliance on France, while underwriting its deliberate decision not to align itself with either the American or the Soviet camp. As long ago as 1963, the Ben Bella Government first indicated that it was interested in entering into a formal relationship covering trade, aid and technical co-operation.

The commercial rationale for such an arrangement was given added impetus a few years later, when the first in a series of bumper French crops drastically reduced Algeria's principal market for its wine exports. In desperation, the Algerian Government turned to the Soviet Union as an alternative buyer. But the resulting deal was struck on terms which Algeria found far from satisfactory and which have injected an element of caution into its commercial dealings with Moscow.

In subsequent years, Algeria significantly expanded its trade with the United States, notably through natural gas exports. But it has been consistently careful to adopt a pragmatic attitude towards these commercial relations, which have never taken on any political dimension.

Difficult

The road leading to the establishment of formal links between the Community and Algeria has, nonetheless, been a long and difficult one. Most of the obstacles lay on the European side. In particular, France was unwilling for the Community to pursue the matter while it was embroiled in a tense bilateral dispute with Algeria over the Sahara. At a more practical level, the EEC was unable to take any meaningful steps towards an agreement with Algeria until it had decided on a common policy for wine.

It was not until 1972 that the Six were in a position to offer to open negotiations, initially only on a trade agreement. But the scope of this offer was considerably enlarged after the EEC decided in November of that year on the main outlines of its global Mediterranean policy, which has led to the forging of formal links of one kind or another with every Mediterranean country except Libya.

The agreement emerging from these negotiations, which took effect on July 1 last year, is broadly similar to those concluded by the EEC with Algeria's Maghreb neighbours, Morocco and Tunisia. It provides for the free entry of most Algerian exports to the EEC (though there are limitations on the regimes governing oil and wine exports), for development aid and financial and technical co-operation.

It is more accurate to describe the arrangements negotiated as a framework agreement since its provisions will not come fully into effect until it has been ratified by all nine members of the EEC. It has, however, already been ratified by Algeria. Furthermore, the implementation of the accompanying financial protocol, which provides for loans and grants totalling about £70m. over five years, is contingent on the introduction by the EEC of a new budgetary unit of account at the start of next year. Though this step has been agreed in principle, some recent complications have arisen over the scale of Britain's contributions to the budget.

At present, the only provisions in operation are those governing trade. Their practical effect has been modest because the great bulk of Algeria's exports to the EEC is composed of energy products. In 1975, out of a total of almost £1.4bn. in exports to all nine EEC countries, about £1.1bn. were accounted for by crude oil, oil derivatives and natural gas. EEC exports, which totalled about £1.6bn. the same year, are accorded most-favoured-nation treatment by Algeria.

One important concession obtained by Algeria concerns the treatment of immigrant workers in the EEC. The agreement provides a formal undertaking that they will not be discriminated against in employment in all nine member states. It also guarantees them fair treatment in terms of pensions and social security benefits and gives retired immigrant workers the right to have their pensions remitted to them from Europe after they return to Algeria.

Even after the agreement i[s] ratified, however, a good dea[l] remains to be done to put fles[h] on its bones. A preliminary meeting, grouping representa[]tives of Algeria, the nin[e] Common Market states and th[e] EEC Commision, is due to be held next month to review th[e] first year of the agreement an[d] to discuss broad proposals fo[r] implementing the developmen[t] and co-operation chapters.

The Commission believes tha[t] the first priority should be t[o] reduce Algeria's heavy depen[]dence on food imports, with [a] view to making it eventuall[y] self-sufficient in agriculture. Th[e] scale of the problem is illus[]trated by the trade statistics fo[r] 1975, which show that Algeria[']s imports of food products fron[m] the Community accounted for [a] tenth of all imports from th[e] EEC in value terms and wer[e] more than ten times greate[r] than its food exports to the EEC. The contrast is accentuated, o[f] course, by the sharp fall i[n] Algeria's wine exports to th[e] Nine in recent years.

Livestock

The Commission proposes t[o] tackle the problem by encourag[ing] the development of home produced livestock, cereal an[d] sugar crops and by encouragin[g] a diversification away from win[e] production. In addition, [it] believes that Algeria should con[]centrate on increasing domesti[c] production of fertilisers an[d] agricultural machinery. Stronge[r] emphasis should also be give[n] to creating a basic infrastru[c]ture in poorer regions and t[o] energy-producing areas, with view to attracting new industry particularly of the labour-inte[n]sive kind.

The Commission would als[o] like to encourage greater c[o]operation between industri[al] and commercial enterprise[s] based on Europe, and Algeria[n] concerns. However, it als[o] recognises that some venture[s] of this kind have not met wit[h] complete success in the pas[t] because European businessme[n] have sometimes found it difficu[lt] to operate inside Algeria. I[n] the Commission view, the deve[l]opment of such co-operatio[n] could be helped if the Algeria[n] authorities defined more clear[ly] their policy towards suc[h] co-operation and adhered to it consistently.

Guy de Jonquieres

State enterprises dominate

GUIDED BY the principle that the State should own the means of production and that private capital is acceptable only where it does not exploit, Algerian commerce and industry are dominated by State companies. Until recently the chief concern had been to ensure that the State really did own the means of production — a process which began in 1966 with the nationalisation of the mines — and that companies were created to cover new sectors affected by the rapid industrialisation. Now the emphasis has shifted towards analysing how these companies function and how they should be controlled, both in terms of internal management and external control by the State.

As yet very few of these companies operate profitably, with the State injecting large scale amounts of cash and soft loans. The Government is also concentrating upon how performance and profitability can be measured. Unless solutions are found to these problems the consequences for the economy will be serious and the feasibility of Algeria's approach to socialism will be called into question.

The importance of State enterprises can be measured very simply by their share of the 1977 budget. Budget allocations are split into administrative (or current) expenditure, development expenditure and a separate item for the State enterprises. This year $6.2bn. has been earmarked for the latter, equivalent to 47 per cent. of total projected budget outlay. This figure excludes external finance, which, including suppliers' credits, will be about $1.8bn. this year. The importance of these companies in relation to the total share of domestic credit is not known in figures, but must be very substantial. To complete the picture one should also mention that the budget allows in a special provision $625m. to be set aside to assist companies in financial difficulties.

The hardest thing of all is to find objective criteria to judge performance. The primary object of many companies has not been to make a profit but to serve a complex series of social, economic and political functions. For instance, an essential part of Government economic strategy has been to establish industry at a regional level in the interior of the country to prevent a concentration on the littoral and to provide industrial jobs in previously rural areas like Tizi Ouzou or Tiaret. Thus the companies responsible for setting up plants in these areas have to pay higher transport costs, take account of delays in the supply of utilities and provide for more extensive training facilities than on the coast. Even in more developed areas similar considerations can apply. There are also innumerable unforeseen expenses. Sonatrach, the national oil and gas concern, for instance, found itself having to foot the bill for a bridge across a river by its fertiliser plant at Annaba because the Ministry of Works proved too slow in moving. Companies at another level are extensions — or in many instances the actual representatives — of the welfare state. They provide access to medicine, housing and education. All these social costs are extremely expensive and take up a sizeable portion of company funds.

The companies themselves often tend to hide behind the positive features of supporting these social costs to conceal their own inefficiency. Alternatively companies, designated to establish industries to secure national self-sufficiency, can defend loss making by invoking strategic necessity. Thus by what yardstick does one measure, say, the national steel company, SNS? The El Hadjar steelworks near Annaba has seen some $2bn. invested over the past ten years. It was planned by now to have a productive capacity of 2m. tons. The present capacity is 400,000 tons and actual production is 300,000 tons, with steel still being imported in large quantities to make pipe. Of the $500m. in special finanical assistance provided by the Treasury to State companies in 1975, $150m. went to SNS, according to the Finance Ministry. Superficially it would be easy to attack the company's record. On the other hand those who know the company argue that SNS merely reflects Government options and in the short term can do little to improve its position. It is also argued that El Hadjar has permitted Algeria to acquire experience which cannot be quantified in money terms.

Company finances as a whole are still based upon very thin structures, even those which are profitable. There are two basic problems. First, the shortage of trained personnel is acutely felt in management, with a thin layer of highly qualified persons at the top but still virtually no support from middle management, since such a cadre is only in its infancy. Moreover the best people tend to be attracted to the more "glamorous" concerns like Sonatrach, which also manage to offer more perks: above minimum levels of pay, cars, housing and foreign trips. Thus the gulf between the large companies and the smaller less attractive ones is growing. The shortage of personnel is also acutely felt in accountancy. This is vital, especially on project control, but has received insufficient attention as a profession.

Second, the majority of companies were established with funds borrowed short term. With plant start-up delays, inflation and unforeseen costs this has been a heavy burden. In the past four years there have been a series of efforts to restructure debt, but in some instances the initial problems created by heavy short-term obligations have yet to be unravelled. Company finances have moreover been complicated by their credit positions with other State enterprises and utilities that have supplied goods and services. Only now are arrangements being made with the banks to ensure that payment is prompt, or credit properly rolled over.

The Government is committed to what it calls *gestion socialiste des entreprises* — socialist company management. The idea basically is that the workers should be involved in the factory at all levels — as in the agricultural sector with the "self-managed farms." Under laws passed three years ago workers could establish up to five different committees to cover all aspects of a company's operations, including finance. The text of the law is not fully clear on the extent to which the Government-appointed manager and his own qualified personnel can determine policy —or whether the workers' committees have the power to overrule management.

But what President Boumedienne clearly wishes to avoid is a form of State capitalism that permits the growth of a class of industrial barons. At the same time he wants to prevent the workforce taking jobs for granted. The constitution approved last year specifically states that the right to work is also accompanied by obligations—in other words the worker cannot sit back and expect the State to take care of everything, including constantly increasing wages, if productivity is ignored.

Concern

The experience so far is that workers' committees have in general been poorly attended, with the main concern wages and housing matters, not the running of the company. Recently it emerged that many of the committees whose three year mandates had expired had not bothered to conduct new elections. Meanwhile at the management level a cumbrous administrative system, increasingly bureaucratic, has grown up alongside a privileged class of executives often jealous of their prerogatives. Socialist management has proved easiest to discuss and implement on a small scale in small companies. No minister or senior official has yet come up with a formula to tackle socialist management of the large companies like Sonatrach. The latter has become so large (there are over 600 different units), that there is talk of splitting it up.

It is questionable how long Algeria can afford to support such a system without refinement. The Finance Ministry certainly does not want to encourage the idea that the Government is a bottomless treasury which can continuously provide cash injections which effectively are once-and-for-all grants. The special annual fund for cash assistance is now being handled on the basis of a three to four year grace period, then repayment at 5.65 per cent. over some 12 years. The national charter, too, makes the point that socialism must work; and in the chapter on socialist management insists that "a condition for the success of socialist management is that it does not degenerate into a system which stifles initiative and which creates autocratic authorities with new privileges . . ."

But the problem with encouraging initiative is, as one official pointed out, that it also encourages "anarchies and distortions." In other words a system of incentives tends to respond to market forces, which inevitably introduces more of a market approach. Already in some areas, such as employment of skilled personnel, companies have been forced to adopt such a market approach in order to secure the necessary manpower. But this has played havoc with a harmonious national salary structure. Too much of the market approach clearly contradicts the spirit of socialism that President Boumedienne is seeking to introduce. But matters are complicated by the fact that the industry developed so far is mostly capital intensive, using plant and systems imported from western countries (whose operations and viability are gauged in financial terms).

There seem to be two views on how to come to terms with these problems. The first is a pragmatic and "technocratic" approach more aligned to State capitalism—though the Algerians hate this word to be used. The second is more doctrinaire, regarding the social, economic and political value of a company's activities as part of an indivisible whole—the edification of a socialist state—and therefore must be judged accordingly against this broad context of national objectives. The cynics argue that Algeria will pretend to do the latter and carry out the former.

R.G.

Gas resources

CONTINUED FROM PREVIOUS PAGE

lant; the liquefaction plant; and terminal facilities for LNG tankers. The LNG tankers now osting $120m. to $150m. which ransport the LNG frozen at he temperature of minus 163 C an either be considered a cost the purchaser of the LNG, r to Algeria if it chooses to be nvolved in transportation.

The gas is primarily coming rom the giant Saharan field of lassi R'mel, the largest in the world. This means that between 50m. kms and 650m. kms of ipeline is required, depending n whether the gas is being aken to Arzew or Skikda to be iquefied. Pipe costs over the ext five years are expected to verage out at $1bn. a year, ccounting for almost 40 per cent. of total investment outside the liquefaction plant on Algerian soil.

The most costly single item s the liquefaction plant where he gas is first treated (carbonic gas and water removed), hen compressed and finally iquefied. The accompanying able gives some idea of the imensions of Sonatrach's investment. If all these plants re built, then the projected ost at 1976 prices would be round $7.5bn. This is a crude estimate according to Sonatrach and does not take account of cost escalation or technical roblems.

Originally Sonatrach conceived the liquefaction plants as being built on a turnkey basis. This was the case with CAMEL; with the first three trains of the Skikda plant built by Technip); and with LNG 1 at Arzew, entrusted to Chemico.

However, Sonatrach ran into ifficulties in controlling performance on turnkey contracts. r instance, Skikda was to ve been built entirely by echnip; but Sonatrach, dissatisfied with its performance, itched the construction of fourth, fifth and sixth trains Pritchard-Rhodes. Dissatis again, it entrusted the final trains to Pullman Kellogg a cost-plus basis.

eanwhile, at Arzew mico dismissed from LNG 1 November 1975 and Bechtel, ch took over, insisted on t-plus. Both Pullman logg and Foster Wheeler reported to have insisted on plus for LNG II and LNG and the Algerians now pt that this is the best rantee of performance, gh more expensive.

erhaps the most difficult to quantify is that caused the delays in construction the liquefaction plants and n stoppages due to technical blems. At Arzew, work on G I stopped completely from ember 1975 until May 1976 a result of the cancellation the contract with Chemico. then Bechtel was obliged. are restarting to carry out a ailed survey of work already ne. Other hold-ups have occurred through shortage of essential materials like cement.

Technical problems arising from the size of the compressors and corrosion through use of salt water has affected the performance of Skikda. Last year the plant was closed for three months. However, Sonatrach engineers believe that they are learning from these problems and that each train built improves in quality. At present the plants are programmed to operate the equivalent of 330 days a year to achieve capacity.

Start-up

The first train of LNG I at Arzew will undergo start-up trials in August and all six are expected to be operational by the end of 1978. At Skikda the fourth train is expected to be completed by the end of this year, and the fifth and sixth trains by the end of 1978. On a conservative estimate Sonatrach should have by 1979 operational capacity of 21bn. cubic metres a year. LNG II and III should be operational by 1983 on a conservative estimate, thus giving Algeria capacity of just under 56bn. cubic metres a year.

Sonatrach is hoping that by 1985 it will have achieved a capacity of around 705bn. cubic metres to satisfy a full export order book. Officials feel that both in terms of mobilising finance and in terms of physical ability to instal plant such a target is an optimum one. Algeria is thus unlikely to seek any more large-scale contracts at the moment either in the U.S. or in Europe—unless an existing contract falls down.

Although El Paso I covers a supply period of 25 years, most of the contracts cover 20-year periods. Algeria is counting on major income from LNG accruing from 1985 up to the year 2005. Whether or not Algeria has sufficient reserves to permit exploitation over a longer timescale is still open to question. Some in the gas business believe that a sustained high level of exports, plus increased domestic use of gas both as an energy source and as feedstock, will take a heavy slice of Algeria's reserves, leaving a much reduced volume available for export beyond 2005.

On the other hand Sonatrach is putting enormous effort into exploration. Hass R'mel's parameters have not even been fully determined. Indeed, a recent discovery on the southern edge of the field is considerably extending it. Furthermore, Sonatrach has been so encouraged by a series of small but numerous finds in the Ain Saleh area (south and west of Hass R'mel) that it has decided to speed up plans for a gas-gathering system to bring the wells into production.

R.G.

Support for Saharan guerillas

IN ALMOST any conversation with an Algerian official the subject of the former Spanish Sahara is hard to avoid. In the Press, too, the subject dominates other foreign news; and events in the wider Arab world often get scant treatment. For over 18 months now the guerilla war being waged by the Polisario Front in the bleak western end of the Sahara Desert against Moroccan and Mauritanian troops has been Algeria's biggest single external preoccupation. The outcome of the guerilla war which is aimed at establishing a sovereign Arab State in the former Spanish colony is problematical, but it will certainly have an important impact on the balance of power within the region.

The guerilla war in the Sahara is four years old, with Polisario celebrating on May 20 the fourth anniversary of their struggle. Rather than lessen in intensity, the level of fighting has increased. There is no sign of any solution either negotiated or imposed. Without doubt the situation has potentially explosive ingredients. Algeria is totally committed to the establishment of Polisario's democratic Arab Saharan republic; and equally King Hassan of Morocco is committed to ensure that this does not happen. As a result the possibility of a limited war between Algeria and Morocco cannot be excluded—though the Algerians insist they will not be the ones to initiate such action.

The situation on the ground has altered radically from the time of the "Green March" in October 1975. Then it seemed that King Hassan, through the swift occupation of the former Spanish colony and the massive officially inspired peaceful march on the territory, had scored a major diplomatic victor, acquiring at the same time a strong military position from which to dictate events. However, the Polisario guerillas have since exposed the inherent vulnerability of Morocco's military position. Through a series of hit and run raids they have successfully harassed heavily extended Moroccan supply lines and effectively forced the Moroccan troops to restrict themselves to controlling the main townships. Thus, Polisario has been able to tie down with a maximum of 10,000 of its own men (probably only half this number are actually active) a very sizeable contingent of the Moroccan armed forces.

All the indications are now that Polisario has acquired an edge in the guerilla war. Polisario is in no hurry and through harassment is trying to wear down the Moroccan army. Recently it has begun to turn its attention more towards Mauritania itself. Last month's raid on the Mauritanian mining town of Zueratt suggests that Polisario feels the regime of President Ould Daddah is the weakest link and independence can be best achieved by first provoking the downfall of the latter.

Refuge

Algerian support for Polisario is both diplomatic and material. Polisario is using Algerian territory as a safe refuge and within Algeria has received assistance in the form of training and arms supplies from the Algerian armed forces though Polisario also relies on captured weapons. In addition some 50,000 Saharan refugees are now on Algerian territory—a large part of the new State's potential population. Algeria's support should be seen at two levels. At one level there is a genuine emotional identification with any liberation movement because of the country's own struggle for independence. On another and more practical level, there are a number of considerations. Algeria has been anxious to prevent what it sees as Moroccan expansionism: undoubtedly if Polisario had not received Algerian support, a Moroccan client State would have been established which would have extended a ring of Moroccan influence through to Mauritania. By the same token Algeria has an interest in ensuring that if a new State is to be established on its borders it should be sympathetic to Algeria, especially as stability in this area would facilitate the development of huge iron ore deposits near Tindouf.

Although top level Algerian officials can see no means of solving the problem, their view is very much that the longer Morocco becomes bogged down in the Sahara, the more it will create discontent within the Moroccan army and expose the "contradictions" of King Hassan's rule. However, no one is so naive as to expect King Hassan to stand by and let a revolutionary situation develop inside his own country. Algeria is prepared for the possibility of a war—in the knowledge that the two countries fought a border war in 1963 over Moroccan claims to Tindouf. Algeria in the past two years has increased its defence expenditure, this year by 24 per cent to $400m. This is still small by the standards of many developing countries. The Soviet Union has delivered a quantity of new T-62 tanks recently but officials reject suggestions that Libya has bankrolled military hardware purchases. Military experts believe that in hardware terms Algeria has a slight advantage which by the end of the year could be levelled with Morocco taking accelerated delivery of French AMX tanks and the Mirage F-1.

The Saharan problem has had an unavoidable and negative impact upon the Maghreb as a whole. The cautious—and in President Boumedienne's case—controversial moves to establish a modus vivendi with Morocco, as the first steps to more substantial co-operation, have gone by the board for the moment. As long as King Hassan continues in office co-operation between the two countries is unlikely to improve—even if there is a negotiated solution to the Saharan problem. Meanwhile, Tunisia has stood by rather embarrassed and is decidedly unwilling to become involved, being anxious to offend neither Algeria nor Morocco. Thus, Maghreb unity—subscribed to by all three countries—is for the time being a very empty phrase.

Algeria's relations with the rest of the Arab World have suffered seriously from its support for Polisario. With the exception of Iraq, Libya, the PDRY and Somalia, Algeria has found itself isolated within the Arab League. Morocco and Mauritania have been supported by the majority of the Arab league and there is no evidence of a change. Indeed, Algeria has been bitterly disillusioned by the conduct of the Arab League which has sought to shut off all discussion of the issue. Algeria sees its isolation as part of the continued "embourgeoisement" of the leading regimes in the Arab World; and Algerian officials realise that the Arab World as a whole is in no mood to listen to their preaching of socialism.

Senior Algerian officials are also disappointed at the way the rich Arab oil states are spending their money and the slow pace of inter-Arab co-operation. There is equal dismay at the continued inability of the front-line Arab states to confront the problem of Israel, and the inability of the Palestinian resistance movement to agree among itself on a coherent strategy. Whereas three years ago the Algerians were active in seeking to mediate in Lebanon, they played little part in trying to resolve the Lebanese civil war and President Boumedienne has not sought to be included in any of the mini summits either on the Lebanon or the wider issue of an Arab-Israeli settlement.

Focus

In short Algeria has become more inward-looking. while maintaining its identity as an Arab nation, Algeria has decided to focus its attention more where its interests lie: namely those countries with which it trades and from which it wishes to acquire technology. The emotional identification with the Third World and the struggle against imperialism is still there but Algeria has become conscious of the need for an interdependence with its trading partners.

In this respect the most striking development over the past three years has been the evolution of relations with the U.S. The U.S. has now supplanted France as Algeria's main trading partner. Algeria imported in the first 10 months of last year $401m. worth of U.S. goods and *Algerian sales to the U.S.*, mostly crude oil, were worth $1.8bn. Algerian-U.S. bilateral trade now accounts for almost a quarter of Algeria's total volume of trade. This percentage is going to increase when the large gas sale contracts get underway. If current contracts are approved over 50 per cent. of projected Algerian large exports within the next 10 years will be going to the U.S. market. At the same time the U.S. is now buying as much as 40 per cent. of Algeria's crude oil output. In addition Algeria has shown an eagerness to acquire the latest technologies which also draws it towards the U.S.

When one remembers that Algeria broke diplomatic links with the U.S. over the 1967 war and there followed a long strain in relations aggravated by the Vietnam War this is a remarkable turnround. It is the more remarkable because Algeria had hoped 10 years ago to be able to balance equally its commercial and economic co-operation between West Europe, East Europe and the U.S. During this time the Algerians have realised that the East European countries can be of no major assistance in *industrial development or provision of technology.* Moreover the Soviet Union showed itself ruthlessly competitive in its desire to sell gas in Europe. Relations with the Soviet Union have remained friendly but not especially close although there are some 1,500 military advisers in Algeria. This may be explained by the fact that the Algerians have refused to give the Soviets the full naval and air facilities which they would like. Algeria was cautious about allowing Soviet military overflights during the Angolan civil war.

Logic

The logic of these increasingly important commercial ties with the U.S. is a greater interdependence which in turn affects the diplomatic stance of both countries towards each other. The potential areas of friction—American support for Israel, the traditionally close ties of the U.S. with Morocco and its supply of military hardware to King Hassan, and the polarisation in Africa between pro-Soviet and pro-Western states—have for the moment been neutralised by the Carter Administration. But they do exist and must have to be taken into account.

The swing towards the U.S. appears more pronounced because relations with Europe have not developed as smoothly as the Algerians would have liked. In the long term, Europe has been seen as the major partner through geographical proximity, mutual need and the historical association with France. Deterioration of relations with France largely as a result of France's deliberate choice to support Morocco and Mauritania against Algeria, has rubbed off on the EEC as a whole. Relations between France and Algeria are extremely strained at the moment and show no sign of improving, and if anything are likely to deteriorate further since Polisario has now chosen to take Frenchmen hostage (six were captured in the raid on the Mauritanian mining town of Zueratt in early May) for which France deems Algeria responsible.

At an ideological level the Algerian leadership would like to contain its relationship with the U.S.—and indeed wi industrialised West as a —within the framework new international eco order. In other words, than being labelled as " towards the West," Algeri the evolution of its relati part of the struggle of de ing countries to achieve a system of world trade, a just system of the distrit of wealth and transfer of nology.

Algeria has been a mover in promoting the ne a new international eco order based on these prin and has been active i north-south dialogue, the of ?, GATT and the Without the issue of the S Sahara it would probab fair to say that most of Al energies would be now d towards the creation of international economic Certainly the Algerian l ship regards it as the mo portant international issu facing both developing industrialised countries. country is a curious com tion — Arab, African, World, Mediterranean, I and socialist.

I

Polisario rebels in the Sahara guard a mounted machine gun captured recently from Moroccan troops.

Land reform aims at improved farming

IN SPITE of recent rapid urbanisation and impressive industrial expansion, about half the Algerian people continue to live in rural areas and the majority of the active workforce is still engaged in agriculture. Yet Algerian agriculture has experienced a very slow growth in value added since independence, and its share in GDP has fallen sharply from 21 per cent. in 1963 to only 7 per cent. in 1976.

Indeed stagnation has been the keynote of Algeria's agricultural production over the last few years with a distinct decline in some crops. Yields of many crops are low and serious fluctuations in production result from unfavourable weather. The principal agricultural exports (wine, citrus fruits and vegetables) have declined due to marketing difficulties, while domestic demand, particularly for foodstuffs, has grown rapidly. Algeria now imports about a fifth of its cereals, a third of its milk, three-quarters of its fats and almost all its requirements of butter and sugar. At present about one-third of the country's oil revenues are being spent on food imports.

Duality

When Algeria became independent in 1962 the new nation inherited an agricultural sector characterised by marked duality; in fact there were two distinct rural-economies, two different modes of production, and two contrasting ways of life. The colonial sector consisted of 22,000 European farms, covering an area of 2.7m. hectares (over a quarter of the cultivated area), which produced most of the country's cash crops and the bulk of agricultural exports. During the *months before independence* most of these modern farms, which occupied the best land, were abandoned by their owners and managers, and without waiting for any directives from above the farm labourers took control over production. Their position was legalised in 1963 by the famous March decrees. Further nationalisations later extended the *secteur autogéré agricole* which now covers 2.3m. hectares divided into 1,974 units and employs some 135,000 permanent workers and 50,000 seasonal workers organised into workers' committees (together with their families fewer than 1m. people out of a rural population of 8m.).

Since 1962 efforts have been made to reorientate production towards the domestic market, and some progress has been made in reducing the area under vines and expanding the cultivation of cereals, forage and industrial crops. Considerable investment has been made in this sector, in mechanisation and in inputs of fertilisers and pesticides, but the results have been disappointing. Productivity has remained low and output has stagnated so that few of the farms make a profit.

A major problem has been excessive centralisation and bureaucratic interference in production, credit and marketing, depriving the workers committees of their autonomy and removing any possibility of independent action. Consequently the Government has recently begun to allow the self-management units a greater degree of autonomy in the hope that this will lead to a more intensive exploitation of these fertile lands and increased productivity. However, this newly won autonomy will only be effectively utilised if it is also accompanied by a major programme of technical training for the workers, the vast *majority of whom are poorly* qualified, and the restructuring of the self-management farms into more viable units.

In contrast to the attention devoted to the socialist sector of Algerian agriculture, the problems of the private sector, where most Algerian peasant families live, were ignored during the first decade of independence. Medium sized and large landowners continue to control about two-fifths of the farmland in this sector, often using modern agricultural techniques, while over half the rural population had no land at all or were engaged in subsistence farming on plots that were too small to provide an adequate livelihood. Rapid industrialisation became Algeria's economic priority and absorbed the bulk of investment funds.

Plight

It was not until 1970 that some members of the Government became alarmed by the worsening social and economic plight of the peasantry, and disturbed by the rural exodus to cities where neither housing nor employment were available. There was also the increasingly obvious economic fact that the low purchasing power of most traditional peasant families, the majority living outside the market economy, severely restricted the domestic market for the products of Algeria's expanding industries. The recent *rural electrification* programmes for example, found that the poorer peasants could not afford even the 10 dinars (approx. £1) necessary to pay for the installation of a meter.

It was therefore with these problems in mind that a belated land reform programme, the so-called Agrarian Revolution, was launched in 1972 amidst a blaze of publicity. The first stage of the reform, which *ended* in 1973, applied to collective lands, those belonging to communes, wilayas, State and religious er ments. The second affected private landow The reforms placed a lim the size of private lando ship and excess land was e priated. In addition, all belonging to absenteeists expropriated. The land acq in this way is being rec buted to landless pea share-croppers and agricu labourers. All beneficiari reform land are obliged to one of the newly establishe operatives which form central organising institu for the development of reform land.

It is through these new tutions that the goverr hopes to gain better contro agricultural investment an duction. The majority o new co-operatives are *Co tives agricoles de producti la révolution agraire* (CA which group together lan the means of production members who collectively out farming operations, chases and sales. Incor divided according to the worked. Although pri designed for the reform ciaries, adjoining smallh are allowed to join. primary level co-operative in turn grouped into *Co tives agricoles polyvalente munales de services* (CA which market agricultura put, purchase inputs, p credit and storage faciliti agricultural extension se The CAPCS are expected t a fundamental role in t structured and decentr agrarian economy linkin reform sector with bot socialist and private sector they still suffer from an shortage of skilled te and management cadres.

The third phase of the reform was launched in

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Tourist industry fails to take off

RIA HAS as much sun, ger coast and virtually me climate as its eastern western Maghreb neigh- Why then is tourism a source of revenue for Morocco and Tunisia but a minor business in a, which has yet to amor- ll its infrastructure in- nt costs? Fewer than million tourists a year are ed by the Tourist ry.

Ministry and the Plan- Secretariat say that this berate Government policy. prefer to train engineers illed workers rather than s and barmen" was how ficial put it.

Ministry has built a chain els, run by its subsidiary , all along the 750-mile iterranean coast, at major in the north and in a r of Saharan oasis towns. were designed by the con- dal French architect Fer- Pouillon, whose imagina- architectural vision has ed some remarkably sting buildings flavoured local style and intended built with local materials which in most cases rather than destroy the ape.

ever, Mr. Pouillon is re- to have said, in a it of discouragement, "I lding modern ruins." Of han 40 Pouillon-designed checked out last summer, our had maintained their ing pool in operating con- Structures spread out rge areas with rooms sur- ng courtyards for calm ivacy also mean long dis- have to be covered from ion to room. Guests are unpleasantly surprised to hat they have to hump own baggage. This, plus ices charged in Algeria, rages tourists from re- isits and some organised mpanies, despite favour- price conditions granted Algerians, have struck off their lists.

The Ministry now has lowered its sights and organises four to 14-day tours of coastal or Saharan points of interest at remarkably reasonable prices, taking full responsibility for the group. For example, a week-end at Ghardaia (three days) costs £54 including transport Algiers-Ghardaia-Algiers.

A week in the oases costs £110, transport from Algiers included. People who have taken these trips report very favourably on both the organisation and the things to be seen.

Algeria's industrialisation and development plans have also produced a wave of local tourist demand. Paid holidays mean holidaymakers and Altour, perhaps tired of maintaining vacant hotels and beach resorts, now proposes special group vacation and week-end rates. Groups of 20 can spend two days at Tipasa Beach for £20 sterling, including transport, a guide and full *pension* for the two days. Three days at Tlemcen, capital of an ancient Arab Kingdom, cost £55 sterling, including transport.

Medicinal

Spas, renowned since Roman times for their medicinal properties are being restored and groups of tourists from northern countries come to relieve their aches and pains in the hot sand and hot springs near Biskra where a new Pouillon hotel is battling against local water shortages and the permanent lack of motivated, trained personnel. The "Garden of Allah" is more crowded and less hospitable than it was when "Bosie" and Oscar Wilde quarrelled and were reconciled under the coldly objective eye of Andre Gide. There is less obsequiousness and corruption, more hostility and independence.

Nevertheless the Sahara has never lost its aura of romance and mystery and Landrover tours or specially equipped bus tours "off the beaten track" continue to be popular with both individuals and tourist agencies. Nights are spent in tents or reed shelters and the tourists are confronted by the savage wind-eroded Hoggar mountains, see Tassili rock paintings that are older than the desert itself and briefly contact the unchanged world of the nomads.

A truck convoy, returning from a trip across the Sahara, was surprised to meet two minibusloads of young Swedish students camping in a dry river bed 900 miles to the South. On their way back to Stockholm from Nigeria, one bus had broken down and they were debating whether to spend more time trying to repair it or abandon it to the shifting sands and all crowd into the other.

In fact, without actually planning it, Algerian tourism now seems to be turning towards domestic tourists, some agency-organised group tours and adventurous individuals.

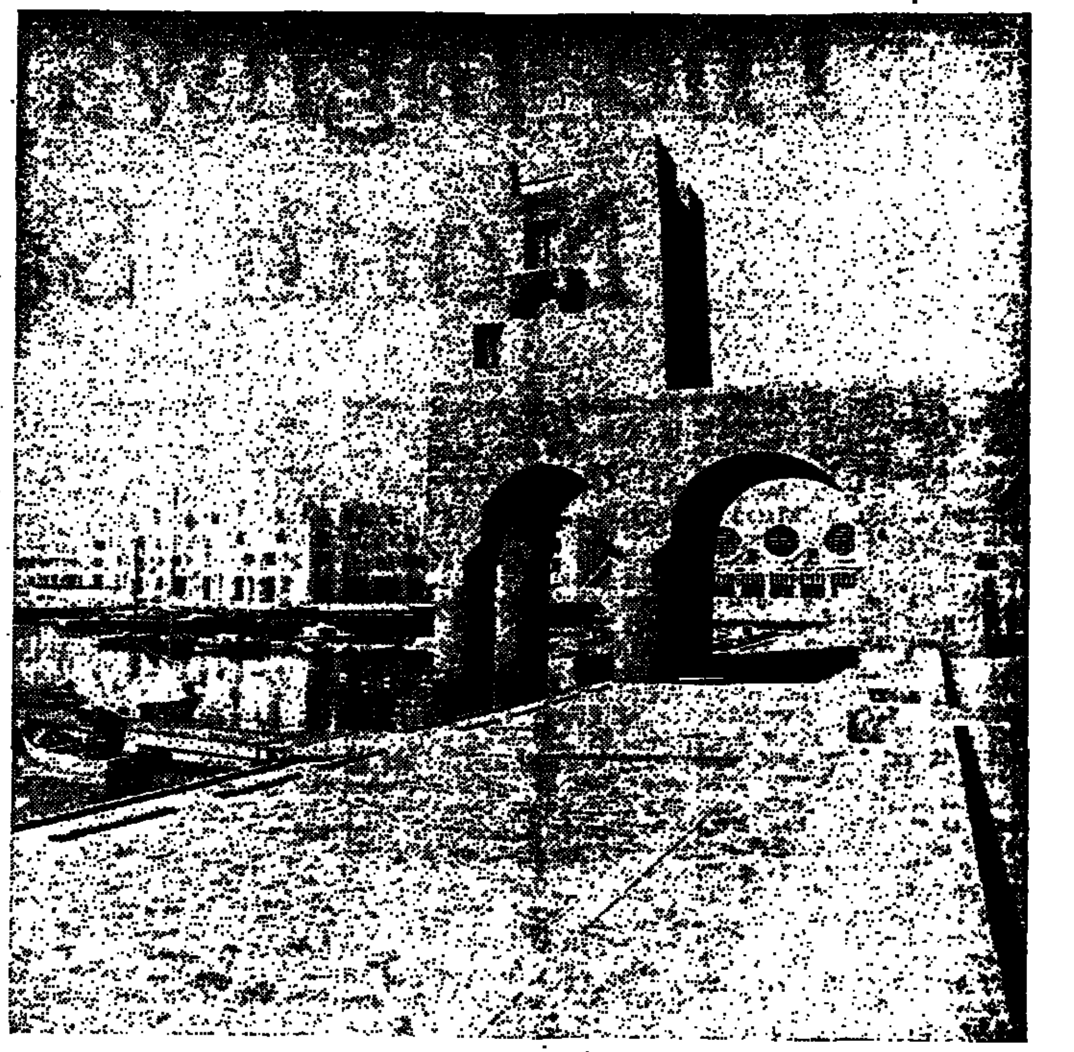
For individuals who do not expect everything to be laid on and prefer to find their own way, Algeria offers a lot. The transport system provides cheap and rapid carriage by air, rail or road. Algiers to Tamenrasset (1,222 miles), the southernmost town in Algeria, below the Tropic of Cancer, costs £94 return by Air Algeria and an Air Algeria timetable, plus a useful guide to the country, make a good start for organising your own tour. Roman ruins, prehistoric remains, beaches, forests, oases, there is something for everyone except the devotee of "la dolce vita" and exotic night clubs. Even cheaper by bus, Algeria/Ghardaia (386 miles) costs around £8 again return.

If the local hotels are full, town halls and Ministry offices have lists of local people who accept paying guests. If hospitality in some of the bigger hotels is at times somewhat surly and grudging, local individual hospitality is overpowering reflecting traditional Arab generosity to all guests.

Algeria is too well organised and covered by a too efficient transport system to provide much real adventure, but there are still elements of risk. Petrol stations are infrequent and telephones almost non-existent on the north/south routes. The desert is still the desert and has to be respected. Spare parts cannot always be found and sandstorms may delay flights but one can always find someone willing to help out, a donkey to give you a tow, a local to give you a drink or put you up.

The whole atmosphere of tourism in Algeria is a complete contrast to the featherbed Club Mediteranee style prevelant in Tunisia and Morocco. It demands more of an effort from the tourist but provides him with something more down-to-earth. But while not a gourmet's paradise, the food is good and varied, the Algerian wine strong and sometimes excellent, if expensive. And if you want to shoot wild boar, Algeria has a plethora of these destructive, if savoury, animals. Seasonal shoots are organised by the Ministry.

Eirene Furness



Sidi Fredj holiday resort.

arming

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s at breaking up the large ely owned livestock herds geria's extensive steppe and at eliminating eeism. The livestock riated are being redistri- to herdsmen, who will be regrouped into co- ive units.

Agrarian Revolution also s a number of pro- es to improve living con- in the countryside. The important is the much sed 1,000 villages pro- e. Reform villages are to lt where either existing ent structures are un- ctory, or land improve- uch as irrigation necessi- associated settlement s, or agrarian reform ac- establish similar needs. ly 1976, 41 new villages een completed and 77 nder construction. Other mmes include the expan- rural electrification and tension of social services ural areas.

nificant

politically significant that landholding has not bolished by the land re- and the continued pre- of at least medium-sized owner-occupiers seems d. Indeed it appears that absenteeists, especially with very large holdings, me members of the rural oisie successfully evaded riation. At most the re- will probably affect 10-15 ent. of privately owned nd about 10 per cent. of tal agricultural labour will acquire land. The programme is behind le and has met with con- ble resistance from the ts, many of whom are re- t to join the new co-oper- because of the fear of ive bureaucratic control. are some examples of ben- ies actually abandoning ewly acquired land.

s the impact of the reform maldistribution of agri- al land and its success in ating rural unemploy- or underemployment is to prove very limited. It s to be seen whether in- d productivity and intensi- n in agriculture can be ed on the reform lands h the new and highly lised cooperative struc- ow cereal yields and diffi- in developing highly ble crops (citrus, fruits nes) leave little room for uvre.

Agrarian reform itself will not solve the social and economic problems effecting the Algerian countryside. In the overcrowded rural areas there are too many potential candidates and too little land, and no large reserves of fertile land which can be rapidly brought into cultivation. The usable agricultural area is only about 7m. hectares (less than 3 per cent. of the country's total land area), of which some 300,000 hectares are irrigated. Serious efforts are now being made to extend the irrigated area and a new Ministry for Environment, Soil Improvement and Hydraulics was created during the Government reorganisation in April 1977. But the possibility of expanding the cultivated area through land improvement and irrigation is strictly limited.

Improvements in farm management and in cultivation techniques may help to raise crop and livestock production, but in the face of the current unchecked rapid population growth full productive rural employment and self-sufficiency in foodstuffs are becoming increasingly difficult to achieve. One view is that land reform should be made central to a wider rural renovation programme, with emphasis on the development of areas of optimum potential for intensive agricultural production, together with soil and forestry conservation measures using labour-intensive methods. Such an approach would involve major movements of population within the countryside, with the gradual abandonment of the degraded mountain regions in favour of the zones of intensive cultivation in the plains.

Such profound changes would only be possible with the support of a mobilised and participatory peasantry, and the Government has so far failed to secure the active participation of the rural population in the development of the agricultural sector. Development programmes and reforms have been imposed from above through centralised and often bureaucratic methods instead of responding to impulses from below. Yet the Algerian peasantry were successfully mobilised once before in the struggle for national independence. The appropriate poltical and economic structures must be found to mobilise them again: this time in the battle to revitalise and transform the backward and impoverished countryside.

Dr. R. I. Lawless

The highway of the North Sahara

WITH AN area of nearly a million square miles stretching from the 870-mile Mediterranean coastline to below the Tropic of Cancer, Algeria's transport system is dictated by geographical as well as economic necessities. The coastal strip, narrow but extremely fertile, the semi-arid valleys and rugged mountains of the Atlas chain comprise 20 per cent. of the land area and house about 90 per cent. of the estimated 16m. population. This area is well serviced by road and rail transport, and Algerian road building, apart from widening the main east-west coast road, has been mainly on the north-south axis linking Mediterranean ports and the industrial cities of the north to the huge desert areas in the south, with their mineral riches. Around 875 miles of new roads were built between 1964 and 1976—Abadla to Tindouf, Foum el Kenez to Adrar, Timimoune to El Golea, etc. Nevertheless road development has not kept pace with road transport demand.

The Algerian transport system in 1976 consisted of nearly 50,000 miles of national, regional and local roads, used by more than 350,000 motor vehicles; 2,500 miles of railways; six major ports and one national shipping company (CNAN); from international and ten secondary airports, one national airline (Air Algeria); about 3,720 miles of oil and gas pipelines. Road and rail networks connect all major Algerian cities and regions and link Algeria with Tunisia and Morocco.

The biggest current road project is the Trans-Saharan Highway, a blacktop road being built by young Algerian national servicemen, destined to permit direct highway traffic from Mediterranean ports to sub-Saharan Africa.

The Trans-Saharan Highway Committee, which includes representatives from Algeria, Tunisia, Mali and Niger, decided on the current project in 1971. Algeria is responsible for its 1,200-mile section from El Golea to In Guezzam, while the United Nations Development Fund is helping with the costs of the Mali and Niger sections. In 1973 Presidents Boumedienne of Algeria, Moussa Traore of Mali, Hamani Diori of Niger and Mokhtar Ould Daddah of Mauretania, inaugurated the first completed 200-mile section from El Golea to In Salah. The road was built in 22 months by 800 young Algerians at a cost of some $7m. — about half what the cost would have been if commercial contractors had handled the job instead of the army.

Creeping

Now, 162 miles south of In Salah and creeping towards Tamanrasset, the road is advancing slowly over the most difficult section, the Tadmait plateau. It is making about a mile and a half a day now and construction stops in July and August. Splitting just below Tamanrasset, one branch will go to Tin Zaouten on the Mali frontier and the other to In Guezzam on the Niger frontier.

The Algerian national road transport company, SNTR (Societe National des Transports Routiers) has not waited for completion of the road to start regular truck traffic from the port of Algiers to Lagos in Nigeria.

SNTR runs weekly convoys under contracts with British transport companies. Goods are brought in British vehicles to Marseilles, the trucks cross in CNAN vessels to Algiers where the goods are transferred to SNTR vehicles. "We are negotiating to cover the whole route London-Lagos without unloading," says an SNTR official. This would save money and also cut approximately ten days off the time needed since goods would not need to be either unloaded or inspected by customs. It takes nine days for the specially equipped 20-ton Berliet trucks to cover the 2,188 miles from Algiers to Lagos, via Agades and Kano. More than half the distance is over rough desert trails and treacherous, shifting sand dunes, but deliveries arrive on time. With minimum fuss the Algerian Transport company has conquered the sand sea and realised the old French dream of an overland trade route from the Mediterranean to Black Africa. Time will be cut to seven days when the In Salah—Tamanrasset section of the Saharan highway "African Unity Road," as it is called, is complete.

The SNTR runs freight road traffic and the SNTV (Société Nationale de Transports Voyagers) is responsible for road passenger traffic. Freight carriage has doubled over the past five years and passenger traffic tripled, with an average annual growth rate of 16 per cent. for freight and 20 per cent. for passengers. In 1976 the Algerian Government spent more than £29m. on building and maintenance of national roads.

Road use charges indicate that revenue from road users amounts to about four times expenses, when taxes on fuel and vehicles, plus import duties on parts and vehicles are taken into account.

Taxi services are privately owned and may operate for intercity or inside city traffic, but stringent regulations control operation of private trucks or trucking services. Urban passenger traffic is provided by city-owned and operated vehicles.

Road traffic has been given priority over rail services by the Government. Rail freight traffic only increased at an annual rate of 4 per cent. from 1970 to 1975 and passenger traffic only 2 per cent. Algeria possesses 2,500 miles of railway, almost entirely east-west routes. The Trans Maghreb Express now runs between Tunis and Algiers in 18 hours (625 miles) and there are only two lines running south, one to Djelfa, about 200 miles, and another to Bechar, about 500 miles from the coast, near the Moroccan frontier. The Government plans to build a new 563 mile railway from Tindouf to Bechar and to rebuild the line from Bechar to Oran to prepare for evacuation of iron ore from the Gara Djebilet deposits near Tindouf.

Air Algeria is one of the few African airlines to operate consistently in the black. Its average annual growth rate over five years has been 21 per cent. for freight and 14 per cent. for passengers.

The Air Algeria network covers more than 40,000 miles and services 40 capital cities in Europe, the Middle East and Africa. Thanks to Air Algeria it is now possible to fly from North Africa to sub-Saharan Africa without going via Paris or Rome. Algerian airports will *have to handle nearly 4m.* passengers this year with their already strained facilities. Air Algeria has not neglected its domestic services and flies to 17 major Algerian cities with, in some cases, two daily flights between important industrial centres. Algerians have taken enthusiastically to air travel and domestic flights are nearly always fully booked, with white veiled Algerian women and turbaned patriarchs sharing seats with foreign and Algerian businessmen.

A daily flight in a Boeing 737 has brought the Hassi Messaoud oilfield within 70 minutes of the capital. Always full, this flight is booked twice a week entirely for Sonatrach employees. Air Algeria has almost finished replacing its Caravelles and Nord Aviation 262s with Boeing 737 and 727s.

Dar el Beida airport at Algiers, despite expansion and some rebuilding, is now plainly inadequate to handle the increasing international and domestic traffic. A new airport is planned to supplement Dar el Beida.

This summer the Algerian passenger traffic system, mainly CNAN and Air Algerie, have to face the problem of transporting *500,000 vacationing emigrant* workers from European countries, mostly France, to Algeria and then back to their jobs in Europe. The companies will charter vessels and airplanes to take care of this massive passenger flow — the biggest ever challenge to the national companies.

Continued expansion has to be made if Algerian transport is to be equal to the increasing demands made on it, for industrial development, expanding international trade and by the rapidly growing population.

Since transport is nationalised in Algeria, the Government exercises a preponderant influence over its development and operations through its investment policies and regulations, which are not always adjusted to meet current needs. Inter-ministry and agency co-ordination needs improvement, and there is a shortage of qualified and experienced personnel. Government allocation of road traffic between different operators, coupled with restrictions on imports of vehicles, tends to hold up supply of sufficient and flexible road transport services. Despite these problems and the rather unequal application of the Algerian transport development plans, *the overall achivement* is adequate when compared with the situation at independence and with what has been achieved elsewhere in Africa.

E.F.

Leading force in Arab shipping

SET UP soon after Algerian independence in 1963, the Algerian National Shipping Company CNAN (Compagnie Nationale Algerienne de Navigation) possessed at the beginning of 1965 exactly one cargo, the Ibn Khaldoun, gift of the Chinese People's Republic, tonnage 3,740.

By the end of 1977 the CNAN fleet will consist of 63 ships, carrying capacity nearly 1.5m. tons, representing a capital investment of AD1bn.

CNAN car ferries ply between Algeria and France and Spain, and are always operating to full capacity. More than 250,000 passengers a year are carried between Algeria and France alone.

CNAN also charters some 60 vessels a year on time charter and around 200 on trip charter, to ensure its regular services to 70 countries in Europe, Africa, Asia, Latin America and North America—about 100 departures a month from Algerian ports. The company claims that, apart from convenience flags such as Liberia, it operates the most important merchant fleet in Africa and the Arab world.

This, of course, has meant very heavy investments over a short period since the real expansion only started in 1970 with the Algerian industrialisation programme. CNAN has obtained loans from Kuwait and another with a Saudi Arabia/Kuwait consortium for $U.S.67m. has just been signed. Saudi Arabia, IBRD and a number of private banking consortia have also granted loans to CNAN. Despite its healthy passenger and cargo operations private Western bankers are becoming hesitant to grant further loans to the already heavily indebted company, although its Director, Mr. Guendouz, is confident that CNAN is now a strong and economically viable unit.

"CNAN activities, which total a third of all Algerian external trade sea traffic, not only effect a big saving in precious foreign currency (about £25m.) but also ensure regular supplies," says Mr. Guendouz. "It is instructive to remember the attitude of many foreign shipowners only a few years ago. They refused freight orders that they did not like, pretexting loading and unloading problems. This could easily have endangered our development plans. Would Algerian sovereignty over its natural resources be a reality to-day if we were still at the mercy of foreign shipowners for our oil and gas exports, as we were in 1971 immediately after nationalsation?."

CNAN now has a diversified tanker fleet with more than 700,000 tons capacity, which not only takes care of Algerian oil exports but occasionally can be chartered to third countries. Taking advantage of the slowdown in tanker traffic two years ago, CNAN purchased tankers on favourable terms.

However, running a profitable shipping company is not the main aim. CNAN was set up to ensure Algerian independence and complete its control over its own economy. "The so-called Freedom of the seas is really the law of the jungle where the strongest wins," says Mr. Gu[...]douz. "This is why Alg[...] felt it imperative to build an important fleet and be a[...] to bargain from a position [...] strength. When the comp[...] was young and feeble we had [...] sit on the sidelines as outsid[...] while foreigners held all [...] cards. This was an invalua[...] experience for developing [...] drawing up the company's tr[...] policies. Now, whatever [...] situation, the Algerian m[...]chant navy can undertake [...] transport any cargo anywh[...] in the world."

Forward

Mr. Guendouz defined CN[...] trade policy as "intensive co[...]mercial aggressiveness." T[...] company has signed agreeme[...] (either 50/50 with trade pa[...]ners, or according to UNCT[...] rules 40/40/20) with Fran[...] USSR, Bulgaria, the Germ[...] Democratic Republic, Guin[...] the Chinese People's Repub[...] Cap Verde Islands and is als[...] member of U.S.-Gulf-Medit[...]ranean, Mediterranean-U.S.-G[...] and Maghreb-Italy for about [...] per cent. traffic participation.

CNAN is also a found[...] member of the Arab Mar[...] Oil Transport Company, set [...] in 1972 to ensure Arab part[...]pation in the oil traffic. T[...] company increased its capi[...] to U.S.$1bn. in 1966 and h[...] ordered light oil tankers a[...] two LPG carriers. It has a[...] opened officers training scho[...]

Personnel training is part [...] the CNAN programme, si[...] senior officers are still nea[...] all foreigners. Ten ships a[...] now manned by Algerian de[...] and engine officers, but na[...]gational personnel is still [...] foreign. The Merchant Mari[...] Officers training school at B[...] Ismail, opened in 1976, togeth[...] with the special training scho[...] for LNG transport at Arz[...] and promotional traini[...] courses, handle about 1,0[...] trainees a year. CNAN hop[...] to "Algerianise" its fleet co[...]pletely by the late 1980s.

CNAN is also preparing f[...] Algeria's Gas development de[...]cade, scheduled to start arou[...] the 1980s. More tugs will b[...] bought and personnel traini[...] at the LNG transport trainin[...] school at Arzew stepped up.

Four methane carriers are o[...] order and CNAN does not i[...]tend to lose its lead in th[...] comparatively new transpo[...] field. If FPC approval is give[...] another 10bn. cubic metres o[...] LNG will be earmarked for th[...] U.S. and CNAN is determine[...] to win its share in transportin[...] it.

E.F.

ECONOMIC VIEWPOINT: HOUSING POLICY

BY SAMUEL BRITTAN

Bribing us with our own money

...Y IS it that people are left ...ovide their own clothes and ...r own food, but not their ... homes? Why do we have a ...sing policy so intricate and ...iled that only a handful of ...ple in the country can ...erstand its economic effects? ...r. Peter Shore's new Green ...er, which is all trees and no ...st, certainly does not tell ... but retreats into "judg...nts" about social needs. At ... point does it explain why ... poor should not be given ... instead of providing the ...ter part of the population ...idised rents and mortgages. ... is question-begging to ...ent the result as a political ...ment. For this is saying ... the population, through its ...ted representatives, wants ... provide itself with more ...mmodation than it is pre...d to purchase for itself. ... unlike defence, or town ... county planning, which are ...lic goods about which citi... cannot take their own ...sions, housing is essentially ...rivate good—we consume it ...vidually or in families, not ...ectively, and it is technically possible to charge for it.

It is quite true that on a conventional accounting basis, average household expenditure on housing would have increased from 9.5 per cent. of disposable income in 1967 to 11.3 per cent. in 1975—a large part of it due to better quality accommodation. But the financial aid which kept actual disbursements at 8 per cent. in both years did not come from the personal generosity of Cabinet Ministers full of compassion. It came mostly from the beneficiaries in their role of taxpayers, but to some extent also from the minority of 2.6m. households in private tenancies who do not receive general assistance and who include some of the poorest and most handicapped. The real reason why housing reform is such a political hot potato is precisely because we all subsidise each other; owner occupiers fear that they will lose out from Labour reforms and sitting tenants from Conservative ones.

The one respectable argument which qualifies these assertions is that the housing market has become so distorted over the last 70 years that an overnight dash for freedom would be even more disruptive than the present controls and subsidies. But Mr. Shore has turned down even the moderate and carefully phased steps towards normality proposed by his teams of experts.

A great issue has been made by the politicians of the impossibility of making, to quote the Technical Volume (Part II, Page 18) an "incontrovertible" comparison of the subsidies conferred on owner occupiers and council tenants.

The practical proposition which the Cabinet was asked to consider was that council tenants should gradually pay a larger proportion, say, an extra 1 or 2 per cent. of incomes each year, in rents until subsidies were down to 35 per cent. of local authority costs. They are now 41 per cent. without rebates and 50 per cent. with them. This would have been balanced by a phased reduction in the interest relief received by home owners who pay more than 35 per cent. in marginal tax. Home owners already committed on the old basis would have been protected and people in all sectors would have received tax reductions. But the Cabinet came down in favour of simply maintaining council rents as a constant proportion of tenants' incomes over a period of years—against the judgment not merely of the Treasury, but of many officials in the Department of the Environment. It also rejected an alternative scheme favoured by the CPRS which would have brought back through a system of "current pricing," a Schedule A type tax on the imputed value of owner occupiers' property.

As the irrationalities of housing policy look like being here to stay, it might be useful to list the resulting distortions briefly with a view to second best solutions.

The first is that as just explained, too much is spent on housing and too little on other things compared with citizens' preferences. But if this were all, it would be bearable. It would be a once-for-all loss, which would be over once the rate of subsidy had settled down and the consumption pattern adjusted to it.

The second and worse distortion is the artificial creation of shortages. Because both council rents and private tenancies are held below market levels, there are long council waiting lists and private accommodation is rapidly declining and in many cases hard to come by. Existing tenants benefit from this at the expense of people who want to move or have nowhere to live. The Green Paper grossly downgrades the problem by confining it to a short section on the problems of "mobile workers" as if these were some sort of freaks.

Thirdly, there are the inequities—people in similar degrees of need or affluence are treated differently in an arbitrary way. The "historic cost" principle, reaffirmed by Mr. Shore means that municipal rent paid will depend on the proportion of the council's housing stock built a long time ago rather than the quality of accommodation or means of the tenant. Both home buyer and council tenant gain relative to those in the private rented sector (who receive no general assistance). And among home owners, new buyers lose relative to those with long established mortgages or those who have already paid off their loans.

The transfer of resources to council tenants is also carried out in the worst way possible. The right to a council house at below market rent is a valuable asset, but it is not a realisable one, and—like the feudal protection enjoyed by a serf—has a value only if the tenant does not move. This is another deadweight loss. Mobility is impeded, unemployment made worse and the council tenant has an inferior asset.

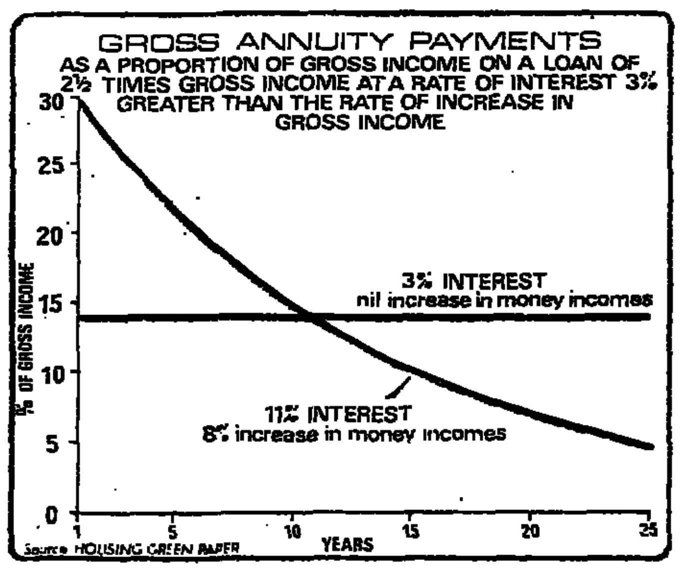
The most important single reform now feasible would be to allow council tenants not just to sublet roms as Mr. Shore proposes, but to sublet their homes on long or short leases at freely negotiated rents. I described some of the advantages of a secondary market in council homes in a Paper *Participation Without Politics*, published by the IEA in 1975 (Pp. 22-5). The new proposals for written tenancy agreement and security of tenure would remove the most important technical obstacle to this reform. The Conservative penchant for selling off council houses would do nothing to improve the supply of rented accommodation and is a characteristic example of the way that party runs away from anything to do with restoring a functioning free market. Yet there is a real chance that such a market of a second best kind would break out, if only we would let it.

There is now however a fourth distortion, illustrated by the chart, arising from inflation which both aggravates the distortions of housing policy and makes them politically more difficult to remove. The traditional "gross annuity" mortgage takes a constant percentage of a given money income. But a mortgage calculated on these principles puts a very heavy burden on incomes in the initial years—nearly 30 per cent. in the example in the chart—and a much lower one in the later years even with an inflation rate as "low" as 8 per cent. The heavy initial load of mortgage payments is where the ordinary citizen feels most personally the absence of indexation.

Although it is less obvious, a similar distortion affects local authority building. In an inflationary period the real burden of servicing a new council house is very heavy initially and then falls rapidly, even though cash interest and amortisation remain constant. That is why the rise in inflation and in interest rates in the mid-1970s put very heavy pressure on council housing accounts.

The indexation of loan transactions would remove many of the distortions. Lenders both to the government and to building societies would receive smaller nominal interest payments to start with, but they would at least not lose an unpredictable proportion of their capital as they are liable to do at present. Building societies would similarly be able to index mortgage payments, and local authorities borrowing on indexed terms would have a more even real burden of servicing costs.

The DoE advisers did make a number of attempts to achieve the results of indexation without bringing in the dreaded word itself. For instance, a low start mortgage makes the burden of house purchase approximate more closely to the horizontal line in the chart.



Originally, it was proposed that any new mortgage holder would have as of right an option to ask for a low start mortgage.

A rejected scheme for dealing with the effects of front loading on local authorities is mentioned on Page 76 of the Green Paper and known as Deferred Payment. Under this, local authorities would have extra borrowing facilities to enable them to capitalise part of the interest payments on new investment. This would be added to the principal and paid back gradually over the loan period. This is the very same point, frequently made in these columns, that part of the interest payments in the PSBR are really debt redemption and should be treated in that way.

Some of the distortions of housing policy — although not those of inflation without indexation — might cure themselves in time. If central and local government build enough houses for rent they will automatically remedy many of the artificial shortages they have created, as market rents will be depressed towards the controlled level. When this happens there could be, at least in some areas, a phased decontrol of private tenancies without any noticeable jump in rents. But the *sine qua non* of this happening is that government assistance must be at least stabilised as a proportion of housing costs, taking one year with another. Ministers are now very vaguely committed to something like this. But without some automatic formula of the kind politicians dislike there is a danger that increases in assistance granted in election years, or in response to interest rates explosion, will not be subsequently reversed.

...OUSING: GENERAL ASSISTANCE, 1975/76 (1976/77 PRICES)

	Numbers (m.)	Amount (£m.)	Amount per head (£)*
...d authority tenants ...ngland and Wales)†	4.7	915	195
... home owners (U.K.)	10.0	1,100	110
... mortgaged houses (U.K.)	5.9	1,100	185

* Estimated figures for 1976/77 are: local authority tenants 4.8m.; ... assistance £1,015m.; amount per head £210; all home owners 10.2m.; ... assistance £1,240m.; amount per head £120; all mortgaged houses ... amount per head £205.

† 1.9m. local authority tenants received an estimated £250m. in rebates in 1975/76, an average of £130 per recipient (1976/77 ...); estimated figures for 1976/77 are 2m. tenants receiving £275m. ...140 per recipient.

Source: Housing Green Paper

Letters to the Editor

...ing Khaled ...ot to abdicate

...HE The Saudi Arabian ...assador.

...—I am writing with ...ence to the article of June ... Mr. Ihsan Hijazi in Beirut ... followed by Mr. Richard ...'s article yesterday on the ... of His Majesty King Khaled ...dicate from the Throne of ... Arabia.

...ould like to deny categoric...hat there is any element of ...hatsoever in these reports. ...jesty is in excellent health ... just concluded a tour of ... Saudi Arabian provinces ... he was received with wide ...nstrations of love and ad...ion by the Saudi people.

...h Faisal Alhegelan.
...elgrave Square, SW1.

...view of ...runwick

...Mr. D. Newbury.

...—I dutifully read through ...ssor MacBeath's 600-word ... of June 28. I am a man ...wer words. Here are 60. ...nwick is not about pay, or ...tions, or sackings. It is ...power: and about who runs ...nd—the unions, or the ...d Parliament. It is about ...withholding mail, freedom ...join or not to join a union, ...order—whether the streets ...ntrolled by our police, or ... mob.

...l Newbury.
...onal Association for ...dom).
...e Avenue, ...ton, Essex.

...omrades ...l

...Mr. R. Street.

...—May I as a working boss ...ss my solidarity with my ...de George Ward of Grunwick.

...Street.
...on Mill. ...Mawdsley, ...alleth, Wales.

...ctive trade ...nionists

...Mr. P. Daden

...—As an active trade ...ist I must answer Mr. A. ...'s condemnation of trade ...ists and his allegations ...ruing "their destructive ...ties" (June 24). ... quotes several British ... companies that have, or ...nsidering, sites in Europe ...ttempts to lay the major ... of blame at the door of ... unionists. I must point out ... Elliott that one of the ... aims of our present-day ... unions is in total accord ... his complaint about the ... of capital and the lack ...nvestment in British in.... We are also striving ...is that goal.

... support his argument he ...s Britain of being "this ...ridden, trade unionised ..." implying that British ...rs adopt an irresponsible ...de towards strikes or possi...en that they strike for the ... of it. Believe me, Mr. ..., being on strike is not ...r is the decision to strike ...y taken rashly. Strikes ... causes and the vast ...ity occur in defence, of a ... right, like the example he ... Grunwick.

... also refers to the free... of the individual so let me ...d Mr. Elliott and those who ... his views, the strikers at ...rick and the supporting ...s are also individuals who have, or are supposed to have, freedoms and rights protected by law. That is the important point of this dispute and if Mr. Elliott is as keen on supporting the freedom of the individual as he would have us believe, I would expect to see him on the Grunwick picket line alongside the Labour MPs he so readily condemns. He will then be able to judge for himself if the police interference is "of comparatively little importance."

Mr. Elliott condemns those Labour MPs on the Grunwick picket as being "commercial ignoramuses" but I would say that his letter shows him to be something of a political ignoramus.

P. Daden.
AUEW member.
89, Warwick Road, Basingstoke, Hants.

Accountants in disarray

From Mr. J. Humphreys.

Sir,—In the front page article about current cost accounting on June 27, reference is made to the English chartered accountants voting against "a scheme to allow certified accountants and cost and management accountants to become members of their institute." The scheme was, in fact, a proposal for integration of these major accountancy bodies and as such was quite different from what the article implies.

I have no doubt that accountants who voted for the proposal in 1969 did so in the belief that the profession as a whole would benefit. I wonder how many would do so now after the adverse publicity the profession has been receiving recently, culminating in this latest exhibition of total disarray by the Institute?

J. Humphreys.
3 Hathaway Court, 486 Hatfield Road, St. Albans, Herts.

Economy of Malta

From Lord Balogh.

Sir,—The short report of an interview (June 23, page 5) with your correspondent gives a completely inaccurate impression of what I have in fact said. I pointed to the inevitably unfavourable effects on an open economy as Malta of the world-wide depression. I emphasised however that the Maltese performance under these unfavourable circumstances in avoiding an actual decline in real income and accumulating a large foreign reserve is a splendid one. I never spoke of having to adopt more realistic targets: what I said was that the adverse change in the world economy has to be taken into account in adapting plans to current requirements, but that I was sure that this would be successfully accomplished.

Thomas Balogh.
Balliol College, Oxford.

Alcohol nearly anonymous

From Mr. N. Pearson.

Sir,—In an article (June 14) on aperitifs your oenological correspondent Mr. Edmund Penning-Rowsell described champagne cocktails as toxic. Having enjoyed the occasional champagne cocktail over the years without apparent ill-effect, I queried your correspondent, who I am glad to say explained his comment as follows:—

"The sparkle in the champagne masks the brandy, with the result that it is all too easy to drink a large quantity without appreciating the total amount of alcohol absorbed."

The price of brandy being what it is to-day, I suspect the risk to be a small one. Nevertheless, such is the distinction of Mr. Penning Rowsell that I am sure some of your readers, who enjoy aperitifs, will be relieved to know this.

N. C. Pearson.
61, Albert Hall Mansions, S.W.7.

Textiles in the EEC

From the Chairman, Atkins of Hinckley.

Sir,—In an otherwise informative article by David Buchan (June 22) regarding the agreement of the Community on a textile stance, he is quite wrong in saying that the Commission sees the multi fibre agreement as a multilateral umbrella helping Europe to beat an "orderly retreat" out of an old fashioned industry. The Commission has made it quite clear that it has no intention of seeing this very important industry whittled away, and statements to this effect are on record.

With regard to the knitting section of the textile industry, we certainly do not come under the heading of an "old fashioned industry." The British knitting industry is one of the most modern in the world, and its productivity will compare with most, and is certainly better than most industries in this country.

D. Styles,
P.O. Box 3, Bond Street, Hinckley, Leicestershire.

British Gas profits

From Mr. J. Goodland.

Sir,—That British Gas would be making a handsome profit, especially after the 10 per cent. increase imposed in April, comes as no surprise.

There is scope either for repaying a small fraction of the £2.2bn. of loans (now costing some £177m. a year in interest charges) or funding some of the very considerable capital outlay needed to bring northern North Sea gas to its markets (BGC was recently advertising its need for £1.5bn. over the next five years).

If the reference level under the Price Code has been exceeded, then the Government has the simple expedient of imposing a special tax on gas to siphon off any excess profit. This, if increasing as U.K. reserves are depleted, would serve as a useful warning to intending purchasers of gas equipment and thus help to conserve indigenous reserves further into the unknown future.

John Goodland.
Down House, Pyleigh, Taunton, Somerset.

Traders and banks

From Mr. J. Murray

Sir,—H. J. Morgan's letter (June 23) makes excellent recommendations regarding the assistance which traders require from banks.

The present situation whereby almost anyone can obtain the means (in the shape of a cheque book) of acquiring goods or cash is deplorable. Bank references are virtually useless as no bank, even with its coy "initials only" (so that nothing can be used in evidence) and disclaiming all responsibility, is likely to say that the customer it has wooed and won is an irresponsible man of straw! How many times one sees "respectably introduced." Is it possible for a customer to hold an account having been introduced by someone who is not "respectable"?

There is a simple remedy. If a bank finds it has to refer a cheque to drawer due to lack of funds it should warn the customer formally that, if it has to do it again, the customer's account will be closed and the cheque book called in and cancelled. Such conditions can be made clear when the account is first opened and banks will then be forced either to fund the customer—albeit temporarily—or customers will be very careful—with the alternative of facing a bankless future.

There was a time when the possession of a cheque book indicated respectability and a bouncing cheque was a rarity. To-day the latter does not cause an eyebrow to be raised. Insurance companies, stockbrokers, and bookmakers have rules that have to be observed—banks seem to prefer a grey neutrality.

J. B. Murray,
Springfield Cottage, Westcott, Surrey.

Honouring cheques

From Mr. Peter D. Ball.

Sir,—Mr. Morgan (June 23) seems to have suffered at the hands of the impecunious and, by the sound of it, the downright dishonest, and he would like to pass on any credit risk to the banks, on the basic argument that the issue of a cheque book also infers that the holder is a "good" customer.

He particularly suggests that all cheques (whether supported by a banker's card or not) issued by *all* (his italics) bank customers be honoured up to £30. Undoubtedly the vast majority of bank customers are honest and trustworthy, and would never contemplate issuing a cheque unless they had funds to back it up, but such is the devious nature of man that regrettably there is a small percentage of bank customers who are unscrupulous enough to try to obtain goods, etc., from the unwary trader with no intention of paying for them.

This suggestion would entail the banks, in effect, completely vetting the creditworthiness of their customers before issuing cheque books, and bearing in mind that the normal cheque book contains 30 cheques, is he suggesting that a customer be not issued with a cheque book unless he is considered a good risk to the extent of £900 (30 x £30)?

Mr. Morgan also infers that the £30 limit is unrealistic—and he probably has a good case here, but has he considered the idea of asking for two cheques if the amount is over £30? One cheque for £30 and the other, or others, for the balance due. The conditions printed on the reverse of the Cheque Card say, in part, "... any cheque not exceeding £30 in any one transaction will be honoured, etc." and I suppose it could be argued that the issue of two or more cheques for one purchase would contravene this condition, although I am unaware of any case law on this.

Finally he would like to see the banks bend one of their basic rules of confidentiality and divulge the address of one of their customers to a third party. If they were to do this, I fear that it would only be the thin end of the wedge, and other "secrets" would surely follow. I have no doubt that a drawee banker would certainly oblige an irate (non) payee by forwarding mail to their customer's address.

Peter D. Ball.
Hollybank, 52, Harepath Road, Seaton, Devon.

To-day's events

Two-day EEC Heads of Government summit ends, Lancaster House, W.2, and also British Government's six-month presidency of Community.

Queen and Duke of Edinburgh drive through South London and later attend Services' Silver Jubilee musical pageant, Wembley Stadium.

Mr. Peter Shore, Environment Secretary, speaks at conference on Housing in the Economic Strategy, Institution of Electrical Engineers, Savoy Place, W.C.2.

CBI Northern Ireland Regional Council meets.

National Gas Consumers' Council annual report.

Windscale public inquiry continues, Whitehaven.

Public inquiry continues into proposed petrochemicals complex at Mossmorran, Fife.

Tenth session of Standing Conference: European Ministers of Education, ends, Strasbourg.

PARLIAMENTARY BUSINESS

House of Commons: Emergency debate on stoppage of mail to Grunwick Laboratories.

Proceedings on the Northern Ireland (Emergency Provisions) amendment (Bill).

House of Lords: Transport (Financial Provisions) Bill, third reading. Redundancy Rebates Bill, third reading. Minibus Bill, third reading. Service Widows (Equality of Pensions) Bill, second reading. Town and Country Planning Amendment Bill, report stage. Deer Bill, report stage.

Select Committee: Race Relations and Immigration. Subject: Government assumptions about potential immigration. Witnesses: Department of Employment officials (4 p.m., room 15).

OFFICIAL STATISTICS

Capital expenditure by manufacturing, distributive and service industries and manufacturers' and distributors' stocks (first quarter, revised). Energy Trends publication from Department of Energy.

COMPANY RESULTS

Burtonwood Brewery (full year). Crest Nicholson (interim). London and Midland Industries (full year). Renold (full year). Stead and Simpson (full year). Thermal Syndicate (interim). Weston-Evans (full year). Wilson Bros. (full year).

COMPANY MEETINGS

Amalgamated Power Engineering, Bedford, 12. Belgrave (Blackheath), Birmingham, 12. Downs Surgical, Connaught Rooms, W.C., 2.30. Federated Chemicals, Connaught Rooms, W.C., 12. Hewden-Stuart Plant, Select Committee: Race Rela- Glasgow, 12. Hill Bros., Bradford 12. House of Fraser, Glasgow 12. Southend Stadium, Southend, 11.30.

COMPANY NEWS + COMMENT

BPB peak £27.15m.—tops forecast

After a midway advance from £9.27m. to £14.45m., manufacturers of gypsum, plaster and plasterboard, BPB Industries finished the year to March 31, 1977, with a record taxable profit of £27.15m. compared with £19.28m., topping the interim forecast by over £2m.

Group sales were ahead by £42.1m. to £243.2m.

The directors say despite a reduction in building activity in the countries in which the group operates, volumes of plasterboard sold increased.

The group's U.K. paper and packaging subsidiary experienced a marked recovery, the directors add.

Earnings per 50p share are shown as 31.7p (23.8p) and a second net interim dividend of 3.426p (3.106p) makes a total of 6.826p (6.206p). An additional dividend, amounting to 0.106p will be paid if ACT is reduced to 33 per cent.

Investment during the year in fixed assets exceeded £21m. and the high level of capital expenditure is being maintained in the current year.

	1976-77 £000	1975-76 £000
Sales	243,227	201,121
Building materials:		
U.K.	112,131	98,365
Canada	22,773	27,674
France	46,744	33,165
Eire	9,066	7,737
Paper and packaging:		
U.K.	61,417	49,538
Netherlands	7,908	6,289
Less intra group	25,343	22,126
Depreciation	7,731	7,768
Interest payable	2,561	3,234
Profit before tax	27,149	19,282
Building materials:		
U.K.	13,273	10,787
Canada	1,393	1,463
France	5,674	4,419
Eire	831	1,654
Paper and packaging:		
U.K.	6,714	4,153
Netherlands	*365	*325
Share associates	1,835	838
Tax	12,176	9,416
Net profit	14,973	9,866
Minority interests	182	282
Extraordinary debit	171	1,772
Attributable	14,620	11,522
Preference dividends	17	17
Ordinary dividends	3,863	2,711
Retained	10,695	5,827

* Loss. † Comprises U.K. (£6,720) and overseas (£5,563) (£1,696).

● comment

BPB Industries forecast profits of £23m. in the year to March and has made £27.1m. (up 41 per cent.) helped by a drop of £1.5m. in pension fund top-ups. Also helpful was a rise of £1.3m. to £1.8m. from associates, about half of it coming from Sweden. But the U.K. performance is still impressive: a profits rise of 24 per cent. on building material sales up 15 per cent. and paper and packaging showing a 61 per cent. rise on sales up a quarter (profit margins there have climbed from under 81 per cent. to nearly 11 per cent.).

This year, with sales volume down perhaps 10 per cent. on the U.K. building side (though a spring price increase shields profits) the key will be private sector housebuilding starts, which show some improvement but could, with the mortgage money flowing again, produce a strong volume trend in the second half.

Overseas, the French subsidiary produced three-quarters of its £8.7m. profit in the first half, and, though accounting provisions explained part of the decline, the price freeze also contributed and still produces uncertainty in a market where demand is running strong. Canada suffered an even worse second half, while there seems no certainty that Holland will come into profits this year.

HIGHLIGHTS

The preliminary report from J. Lyons shows further provisions of £9.5m. But although the group's net worth has been diminished, the dividends have been maintained at the previous year's level and the directors feel that prospects are improving. Lex also looks at the accounts of the UDS group. Elsewhere, BPB Industries beat its forecast profits of £23m. by £2m. with a 41 per cent. rise over the previous year—profits of the U.K. building materials side was up by 24 per cent. However, profits of Edgar Allen Balfour dropped from £3.2m. to £455,000 but the group has forecast profits of at least £3.3m. thanks to firmer trends in most of its markets. Brickhouse Dudley was able to hold its profits at £1½m. thanks to a two-thirds rise in exports. Courts had a disappointing second half in which operating profits rose by just under a tenth, after being up by half at the interim stage. After another large transfer to deferred profits, there is little change at the pre-tax level.

But the U.K. performance was sufficient to push the shares up 6p to a year's high of 174p at which the p/e is 3.4.

Brickhouse Dudley static

IN SPITE of the severe depression in the construction industry, pre-tax profit of Brickhouse Dudley was held at £1.59m. for the year to March 31, 1977.

When reporting first half profit up from £0.75m. to £0.83m. the directors forecast second half results in line with the first.

Stated earnings per 10p share for the year are 3.04p (3.12p) and net dividend total is 2.1332p (1.9003p) with a 1.4365p final.

On prospects, Mr. R. M. Huxtable, chairman, states that the current trading period began under the shadow of the Government moratorium on public works and, with short-time working at most plants in the first three months, profits for the April/September period will not attain last year's level.

However, that does not mean that results for the full year will be unsatisfactory, he says. The nadir, in terms of order intake, may well have been passed. Indeed, a healthier picture is already emerging and full time working has been resumed.

Mr. Huxtable considers the 1976/77 results "creditable" in view of fluctuations in trading conditions. The depression within the construction industry has been on a scale unprecedented in the last 50 years. In addition, last winter, the wettest this century, caused considerable delays on buildings works in hand.

The manufacturing division suffered after the announcement of the moratorium on fresh public works. Demand for group products decreased and most manufacturing plants were placed on short-time working. However, profits were close to those for 1975-76 when full production was maintained.

The same factors applied to the merchanting division although profits for the year were ahead.

Additionally, exports continued to expand, both in volume and value, in spite of increasing competition.

	1976-7 £	1975-6 £
External sales	15,123,000	16,986,000
Trading profit	1,784,880	1,776,997
Interest charges	206,824	173,546
Profit before tax	1,587,244	1,598,431
Tax	831,214	813,390
Net profit	755,422	785,041
Pre-acq. profit	—	12,104
Extraord. debit	*27,933	62,128
Attributable	727,489	723,827
Dividends	319,646	284,747
Retained	397,833	449,080

* After depreciation £195,684 (£194,785). † Comprise costs incidental to closure of Princes Foundry.

● comment

Thanks to a two-thirds rise in exports to £2½m., Brickhouse Dudley was able to hold profits fairly steady last year despite a dismal trading background in the U.K. for both the manufacturing and merchanting divisions. With no sign yet of any improvement in the home market, any hopes of avoiding a significant business downturn in the current year appear to rest again on further expansion overseas. At the moment the group is concentrating its efforts on such developing areas as Nigeria and the Middle East and increased orders from these have brought the group back to full capacity output in June. However, whether the boost here will be sufficient to make up for short-time working in April and May cannot be forecast with any confidence. Added doubt arises from the volatility of the price of the group's main raw material, scrap metal. Now 26p, where the yield is 13.4 per cent., the shares have underperformed the market for some time and are likely to remain burdened with uncertainty in the short term at least.

to 10.75 per cent. will increase costs by £73,000, Sir Edward says. "It is difficult to forecast the outcome of the year as a whole when we do not know what reflationary measures the Government may take in the autumn," he adds.

As reported on June 14, pre-tax profit was ahead from £900,490 to £909,937 in the year to March 31, 1977, and the dividend was raised by the maximum permitted from 5.23p to 5.75p.

In common with other Leyland distributors, the company suffered during the year from inadequate supplies of new cars, Sir Edward says. The loss of profit was in part offset by the successful marketing of secondhand cars, the chairman says. He adds that he is optimistic that Leyland are beginning to achieve results in the direction of ensuring a plentiful and constant supply.

Working capital increased by £678,816, compared with £330,469.

Meeting, Eastbourne, July 22 at 3 p.m.

Edbro turns in £3.61m.

ENGINEERS, Edbro (Holdings) reports record taxable profits for the year ended March 31, 1977, of £3.61m. against £2.57m. on turnover ahead from £18.85m. to £22.74m.

At halfway profit was £1.77m. compared with £0.88m.

Earnings per 25p share are stated as 24.11p (17.8p) and the dividend is lifted to 5.3962p (5.0575p) with a final of 3.7762p net. An additional dividend of 0.1163p will be paid if ACT is reduced to 33 per cent.

	1976-77 £000	1975-76 £000
Turnover	22,737	18,853
Trading profit	3,647	2,647
Interest, divs. recd.	35	17
Interest payable	91	97
Profit before tax	3,606	2,567
Tax	1,780	1,226
Net profit	1,826	1,341
Dividends	293	759
Retained	1,535	852

● comment

Overseas sales and exports provided the main spur to Edbro's performance last year, keeping profits in line with market expectations with a pre-tax rise of 35 per cent. The current year, though, looks like being one of consolidation rather than further significant growth. Competition in the overseas markets is becoming progressively more intense as overall demand levels out and the group's current rate of order intake is slightly below that of the previous year. Still, the group is the U.K. market leader in hydraulic tipping gears and an unbroken growth record stretching back more than a decade testifies to its reliability. Balance sheet debt is minimal—about £0.2m net at the year-end, compared with shareholders' funds of £8.4m.—and given a dividend cover of more than four times, the shares at 132p, yielding 5.9 per cent., fully justify their present rating of a 6.2 p/e.

Turnover up in good start by Caffyns

Turnover of motor traders Caffyns for the first two months of the current year is greater than for the comparable period last year, says Sir Edward Caffyn, the chairman. The fall in interest rates should encourage investment and expansion, he adds.

However, the increase in the employers' National Insurance contributions from 8.75 per cent.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Edgar Alan Balfour		3.13	—	2.74	4.33	3.94
Ashdown Inv.	int.	1.2	Aug. 2	1	—	3.4
Bett Bros.	int.	0.69	Aug. 19	0.62	—	1.52
Blundell-Permoglaze		0.56	Oct. 3	0.56	—	2.39
BPB Inds.	2nd int.	3.43	Aug. 8	3.11	6.83	6.21
Brickhouse Dudley		1.44	Aug. 8	1.27	2.13	1.9
CGSB	int.	0.4	—	0.33	—	1.28
Concrete Prds. Ireland int.		0.98	Sept. 30	0.81*	—	4.08*
Courts (Furnishers)		1.71	—	1.56	3.13	2.84
Edbro (Hldgs.)		3.78	Oct. 1	3.44	5.5	3.09
Halma		0.69	—	0.38	1.25	1.14
Hardys & Hansons	int.	2.18	Aug. 8	1.8	—	8.4
Hicking Pentecost		4.05	Oct. 1	3.55	6.38	5.55
J. Lyons		3.54	—	3.54	7.37	7.39*
M. & G. Dual	int.	5	—	4.3	—	9.9
Morgan-Grampian 2nd int.		1.46	—	1.33	2.61	2.38
News International	int.	4.0	—	3.7	—	8.0
Standard Chartered		10.33‡	Aug. 19	9	17.33	15.75
Vectis Stone	int.	0.6	Aug. 5	0.3	—	1.33

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Corrected by company. § To reduce disparity.

Edgar Allen Balfour falls to £585,000

WITH SECOND half trading results of Edgar Allen Balfour being drastically affected by the industrial action in the group's manufacturing units located in the Sheffield area, taxable profits fell from £3.22m. to a depressed £0.59m. for the year ended April 2, 1977.

At halfway profit was £0.32m. against £1.42m.

It is estimated that the dispute which lasted 10 weeks cost the group some £2m. in lost profits, and as a consequence the group's U.K. subsidiaries made a final net loss for the year before taxation of £12,000.

The group's overseas subsidiaries made a profit of £824,000 despite difficult economic conditions in Australasia and Canada. The performance of the Australian subsidiary group has further improved during the last quarter of the year, which augurs well for 1977-78.

The share of profit from overseas associates amounted to £137,000.

The improvement in the U.K. order book continues, and at May 31, 1977 totalled £22.6m. compared with £20.5m. at the half year end and £18.6m. a year ago. The group is well set to take full advantage of the present satisfactory level of order intake and the directors expect that the current year's profit will be higher than the profit of £3.3m. achieved in 1975-76.

Earnings per 25p share are shown as 0.2p against 13.2p. The dividend is lifted to 4.33p (3.9364p), the maximum allowed, with a final of 3.13p net, as forecast.

Capital Tool Works closed on January 28, 1977 and all the other former Balfour Darwins U.K. operations have been set up as separate autonomous companies, or merged with existing Edgar Allen subsidiaries. Balfour Darwins, now a non-trading company comprising only the assets and liabilities relating to Capital Tool Works, has been put into members' voluntary liquidation and losses incurred at Capital Tool Works up to the date of the announcement of the closure amounting to £308,000 have been excluded from the trading results.

The reorganisation of the tool interests has resulted in three separate autonomous companies: Edgar Allen Tools manufacturing flat and carbide cutting tools; Easicut Tools, rotating tools, and J. Stead and Co., hand tools. The reorganisation of the latter has extended into the first half of 1977-78. Darwins Magnets International and Darwins Alloy Castings have been formed to take over the Balfour Darwins magnets and small castings divisions.

The directors say that the value of direct exports from the U.K. was £9.1m. (£8.9m.) but was badly affected by the industrial action.

Also affected by the industrial action was the group's liquidity. New investment of £1.8m. in plant and facilities and an increase of £724,000 in stocks and work in progress were the other main contributory factors to a total deterioration in the U.K. liquidity of £5.2m. Overseas subsidiaries' liquidity improved by £350,000.

After taking account of the releases of certain deferred taxation provisions to reserves the group's gearing ratio is an acceptable 51 per cent. and the group borrowing facilities are more than adequate for future plans and contingencies, the directors add.

The major investment programme in the U.K. and overseas has continued. The two major investments, the Davy Loewy press for George Turton, Platts and Co. and the G.F.M. Long Forging machine for Edgar Allen Balfour Steels, totalling about £4m., are to be leased over eight and ten year periods respectively. The new railway trackwork facility for Edgar Allen Engineering came into operation early in June 1977, the directors say.

The directors have considered the capital spending programme and future stock levels and say that the present deferred taxation provisions relating to capital allowances and relief on increased stock values will not be required within the foreseeable future. They have therefore decided, in accordance with the latest recommendations of the Accounting Standards Committee to release these provisions to reserves together with the deferred taxation provisions relating to the surplus on revaluation of land and buildings resulting in a net increase to reserves of £4.88m.

A group cash flow statement shows an increase in net bank borrowings of £4.8m.

At April 2 bank overdrafts were £1.79m. (£0.56m.) and short term loans £2.77m. (£1.2m.). Net current assets stood at £17.21m. (£21.03m.).

	1976-77 £000	1975-76 £000
Group sales	49,130	51,389
Operating profit	1,846	3,877
Interest payable	1,290	1,236
Share associates	137	138
Currency losses	122	*327
Profit before tax	585	3,218
Taxation†	520	782
Net profit	65	2,433
Minority interests	17	22
Pref. dividends	16	16
Attributable	36	2,408
Extra-ord. debit	989	‡165
Making loss	953	§2,604
Ordinary dividends	556	718
From reserves	1,509	¶1,853

* Gains. † Comprises overseas £378,000 (£346,000) and irrecoverable ACT £144,000 (£291,000). ‡ Credit. § Profit. ¶ To reserves.

● comment

Even without the £2m. lost through the 10-week strike following the closure of the Capital Tools works, Edgar Allen Balfour's profits would still have been down slightly. And this despite trebled profits in Australia which brought in an extra £½m. and formed part of a nearly doubled overall contribution from overseas subsidiaries. U.K. markets were dull all last year. But prospects now are much brighter, especially in industrial magnets and flat and hand cutting tools. Special steels also look better. Order books are already a fifth above the levels of a year ago, so the company's forecast of £3.3m. looks conservative, particularly as there will be an extra £1½m. sales from the new railway track facility and a fourth-quarter contribution from the new long forging machine. These, together with the absence of the lossmakers and the consolidation of changes in Australia, could boost profits to over £3.5m. At this level the prospective p/e at 67p is 7.7 without allowing for the heavy deferred tax benefits. Together with the 10.4 per cent. yield, the shares are thus well supported.

Hambros shipping position

IN EXPLANATION of the fact that last year's exceptional loss on shipping loans appears in the accounts of Hambros without any corresponding entry this year, Mr. Jocelyn Hambro, the chairman, says that the company has, in fact, recovered part of certain other amounts previously provided against shipping debts, but this was offset by an increase in specific provisions, with the result that there was no significant effect on the profit and loss account.

However, he says that these specific provisions have enabled the company to further strengthen its shipping position, being amounts provided in addition to general debt reserves and unpublished reserves.

It should also be mentioned, says Mr. Hambro, that the Bank of England announced in March a welcome change of policy, permitting specific provisions against doubtful debts to be held in the currency of the debt whereas previously they could be held only in sterling. The company has taken advantage of this, Mr. Hambro says.

As reported on June 22, profit after tax, other charges and minorities, improved by 40 per cent. to a record £7.32m., and the dividend total is raised from 7.75p to 8.525p. Mr. Hambro says that the company has maintained momentum without greatly increasing its balance sheet size.

The re-introduced corset control has not proved a significant constraint to date, he says, mainly because loan demand has remained flat. Trade finance, however, has remained buoyant and acceptances have increased by nearly 20 per cent.

The company intends to continue to develop its activity in the area of arranging international syndicated loans, public issues and private placements in Eurocurrencies, Mr. Hambro says.

As regards the company's own investments in developing businesses, Mr. Hambro says that he hopes that with a more optimistic mood emerging the company will receive more approaches.

Dividends paid to Hambros by the 44 per cent.-owned associate Hambro Life Assurance amounted to £1.35m., members are told, and had it been possible Hambros would have increased its own dividends by the additional amount paid by the associate. This would have meant an increase of 25 per cent. The company will review its dividend policy when it is permitted to do so, Mr. Hambro says.

Record at Allied Plant

INCLUDING pre-acquisition profit of £49,848, covering a period of four and a half months, by H. Pickup, the structural engineering and heating and ventilating concern acquired last year, pre-tax profit of Allied Plant Group for the 18 months to end December, 1976, was a record £455,000; against £284,000 for the previous 12 months.

Profits at half-time was ahead from £165,000 to £203,000.

Stated earnings on an annual basis are 5.25p against 3.86p before non-recurring property losses and 3.85p (4p) after them. The final dividend is a maximum permitted 4.745 per cent. net on capital doubled by last November's bonus issue, at which time a consolidation of the 5p share into 10p shares was announced. This makes the total 7.745 per cent.

There is a loss on properties this time, mainly accounted for by disposals, of £76,000 net of tax relief of £94,000. Mr. Michael Heathcote, the chairman, says that the property disposals are in accordance with the company's stated policy. Since the year-end the company has agreed to sell the remaining investment property for approximately book value, he adds.

The company is concentrating on the development of its trading operations, Mr. Heathcote says. These are all based in the North East and are concerned with contracting, house building and service to the building industry.

Bett Bros. advance after six months

First half (to February 28, 1977) pre-tax profit of Bett Brothers, building and public works contractors, advanced from £1.24m. to £1.71m. and the net interim dividend is raised from 0.6243p to 0.6868p.

Dividends waived amount to £21,053.

The directors state that current estimates indicate that for the full year turnover and pre-tax profit should be in the region of £20m. (£20.8m.) and £3m. (£2.34m.) respectively.

Dividend total for 1975-76 was 1.5236p.

● comment

Bett Brothers has surprised building analysts by producing yet another good increase in profits—this time the half year pre-tax profit is up 37 per cent. Other house builders and construction companies have been reeling from the low level of public expenditure, but Bett seems to go sailing on. The company itself points to the good weather last summer which enabled it to get through a lot of work; the profits from this work came through largely in the following months which are in the first half of this financial year. More fundamental, though, is Bett's location in the part of Scotland which benefits from North Sea oil and where demand for housing has been strong. The shares, on a prospective p/e of 6.4 at 43p, show no respect for the profits record nor to the increasing element of rental income (probably rising to an eighth of pre-tax profits this year). They are depressed by the yield of 6.1 per cent. (low for the sector) and the narrowness of the market in them because of large family holdings.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Barranquilla Investments, Crest Nicholson, Dunford and Elliott, Granada, Robert Kitchen Taylor, Ita Textiles, Thermal Syndicate.

Finals—Braby Leslie, Burtonwood Brewery, Carding Group, Colmore Investments, Laurence Scott, London and Midland Industrials, Reinold, Shaw Carpets, Stead and Simpson, Weston-Evans, Wilson Bros.

FUTURE DATES

Interims—	
Trust Houses Forte	Jul.
White Child and Beney	Jul.
Finals—	
Bambergers	Jul.
Hensher (Furniture Trades)	Jul.
Jacksons Bourne End	Jul. 1
Rothmans International	Jul.
Russell (Alexander)	Jul. 1
Technology Investment Trust	Jul.
Thorn Electrical	Jul.

also authorised a capitalisation issue to holders of the Preference stock registered on June 9 1977, on the basis of one new Ordinary share for every five Preference held.

SENA SUGAR

The borrowing limits at Sena Sugar Estates have been raised by £10m. to £20m. following extraordinary meetings of the Ordinary and Cumulative Preference shareholders yesterday. The meetings

Concrete Products of Ireland

AFTER interest charges up from £109,000 to £133,000, profit of Concrete Products of Ireland rose from £720,000 to £770,000 for the six months to March 31, 1977 subject to tax of £356,000, against £380,000.

Stated earnings per 25p share are 3.175p compared with 4.5p adjusted for the one-for-one scrip; the net interim dividend is 0.975p (0.81p equivalent). Last year's total was equal to 4.0825p from profits of £2.09m.

ISSUE NEWS AND COMMENT

Bournemouth raises £1m.

Seymour Pierce have completed arrangements for an offer for sale by tender of £1m. of 8 per cent. Redeemable Preference Stock 1982 in The Bournemouth and District Water Company at a minimum price of £99 per cent.

Tenders, which must be accompanied by a deposit of £10 per cent., should be received by Deloitte on the morning of Tuesday, July 5. The balance of the purchase money will be payable on or before July 28. Tenders must be for a minimum of £100 of stock.

The first dividend covering the period from July 5 to December 31 and amounting to £3.47 net per cent. will be payable on January 3, 1978. Thereafter dividends will be paid half-yearly on July 1 and January 2. The stock will mature at par on July 31, 1982.

● comment

Taking a line through comparable stocks in the market, the terms of the Bournemouth issue indicate that it would normally be comfortably oversubscribed with tenders pitched at half a point over the minimum. However, it is understood that another similar issue has been already underwritten in the market on terms which undercut Bournemouth. That issue may not come for a couple of weeks, but certainly the market will have it in mind when tendering for Bournemouth. So, though a reasonably strong level of demand should ensure that this offer gets taken up, the average tender price is unlikely to be much over the minimum. At £99 per cent. the grossed up flat yield is 12.4 per cent. and the redemption yield is 12.5 per cent.

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AURORA 0.4M. SHARES WITH UNDERWRITERS

AURORA HOLDINGS one-for-four rights issue at 80p to raise £1.06m. has been taken up as to 67.38 per cent. Of the balance 26,886 shares have been sold and the proceeds distributed to entitled shareholders. As per the underwriting arrangements the balance has been taken up by the National Coal Board 217,500 shares, the ITC Pension Trust and ITC Pension Investments 108,730 shares and Electra Finance 108,750 shares.

هكذا من الاصل

What's to stop a company that's grown 1400% in ten years dying just as quickly?

1967: Earnings per share 1p.

In the past ten years Hanson Trust's earnings per share have grown by 1400%. And although we don't have a crystal ball and we can't guarantee the future, we'd like to tell you about our growth and why the reasons for it should make you confident of our long term prospects.

1970: Earnings per share 3p.

Many of our most valued assets go up and down in the lift each day

When Hanson Trust was born fifteen years ago it could easily have been lost in the forest of sapling companies which sprouted at that time and have since withered. What set it apart was the Hanson philosophy of investing in companies which are in basic, staple industries with sound assets and just as importantly, good management potential. This criterion was applied to every investment then and it's applied to every investment today.

1973: Earnings per share 7p.

A blueprint for success

In following the policy of investing in companies with good management potential, Hanson Trust has laid a solid foundation for continued growth. In fact, so many people have had their attention diverted by Hanson's acquisitions they may be unaware of the fact that our organic growth has been sustained, and makes an increasing contribution to our profits. This is a direct and continuing result of the Hanson Trust philosophy. And because we are committed to growth through managerial excellence, we are not about to relinquish the hard-won positions our companies have achieved.

1976: Earnings per share 15p.

How Hanson Trust managed to succeed where others have failed

The USA has been the graveyard of many British ventures. This has made some companies extremely circumspect about establishing offshoots there. Hanson Trust's policy of investing in established companies with strong balance sheets has brought a very gratifying level of success. For instance, typical of our investments in the U.S. are a meat processing company and a textile related group. Both are in staple areas and both are contributing considerably to Hanson Trust's profits. In fact, last year over 60% of our profit was generated in the U.S. How many other companies do you know who've had this level of success across the Atlantic?

When did the price of frankfurters in the U.S. last affect the price of bricks in Wales?

Our widespread investment in basic staple industries helps to ensure that even if there's a recession in one industry then the profits from another will aid the company to maintain its performance targets. Thus in times of economic uncertainty shareholders have been reassured and, given reasonable economic conditions, they can expect (and have been given) exemplary growth. In this way Hanson Trust is able to turn its involvement in so-called cyclical industries to distinct advantage, yet allow each of its subsidiaries to remain self-sustaining except for reference to us through our rigid budgetary control and operating over-view.

A matter of opinions

There are a great many different opinions about Hanson Trust. One has only to read the press following announcements of our results to see how wide-ranging these views are. But while the pundits argue, we get on with what we do best; working hard to create more profit, more jobs, more wealth for Britain and greater security for our employees and shareholders.

Hanson Trust

The industrial management company where people are as valued as assets.

Copies of the accounts and interim report available from: Hanson Trust Ltd., 180 Brompton Road, London SW3 1HH. Tel. 01-589 7070.

Slow second half at Courts (Furnishers)

PRE-TAX PROFIT of Courts (Furnishers) for the year ended March 31, 1977, shows a rise from £4.84m. to £4.87m., after an unchanged £1.95m. at half-way. The year's profit is struck after a transfer to deferred profit of £3.11m., compared with £1.57m.

The directors point out that the considerable increase in this transfer resulted in very little of the record trading profit of £7.94m. passing through into taxable profit. The total deferred profit now amounts to £11.38m., they say, and this will flow into profit in future years.

This record trading profit reflects an increase both in the U.K. and overseas, the directors say, although the increase at this level was lower in the second half.

Since the end of the year, trading conditions in the U.K. and in certain overseas countries have been difficult, although turnover including new branches is slightly ahead so far both in the U.K. and overseas.

The trading situation, together with the large currency devaluation in Jamaica, will probably result, unless there is an improvement, in reduced operating profits for the current year, members are told, although the transfer to deferred profit should be much smaller than last year.

Earnings per 25p share are shown ahead from 13.1p to 14.8p, and the dividend is increased by the maximum permitted from 2.84363p to 3.12802p with a net final of 1.71302p.

	1976-77	1975-76
	£000	£000
Turnover (exc. VAT)	47,243	40,668
Operating profit	7,935	6,387
To deferred profit	3,114	1,566
Prop. disposal	50	41
Profit before tax	4,871	4,862
Taxation	2,385	2,770
Net profit	2,386	2,092
Extraord. credits		
Exchange profit less property provision	237	476
Available	2,698	2,568
Minority interests	366	[illegible]
Available	2,427	2,342
Preference dividend	24	24
Interim Ord.	199	181
Final	262	239
Retained	1,963	1,921

During the year new stores were opened in the U.K. at Sittingbourne, Worthing, Colchester and Hanley, and so far since the year-end at Truro and Clapham Junction and at Toowoomba, Australia, the directors report.

● comment

Courts' first half performance (when profits went ahead by 32 per cent.) has been spoiled by a sluggish second half when the advance was just under a tenth at the operating level. But that was the general U.K. experience as buying dried up after a prolonged spree. After another large transfer to deferred profits, the net effect is maintained pretax profits. The "A" shares have been relatively weak since the interims and at 77p the yield is 6.4 per cent. The problem for the current year is that Courts' normal overseas buffer will not be as effective as in the past—the 37½ per cent. devaluation in Jamaica last April could cost the group £½m. on static Jamaican profits and it is unlikely that this will be offset by currency gains from elsewhere now that sterling has stabilised. Moreover, the basic trading trends overseas are mixed, with difficult conditions in Jamaica being matched in Australia. So Courts will have to fall back on the U.K. where current trends are poor, with new openings (60,000 square feet last year with more to come) coming in a climate of reduced volume sales. Fortunately, Courts has another buffer to fall back on—deferred profits of £11.36m. will come into pre-tax profits over the next 2½ years. This will probably be enough to prevent a pre-tax profits decline for 1977-78.

Chown Securities cuts loss to £0.27m.

Turnover dropped by half from £1.1m. to £0.43m. and Chown Securities incurred a loss of £0.27m. for the half year to end December, 1976, compared with £0.56m. last time. There is no tax charge (same).

The deficit includes net rental income of £79,883 (£353,749), other net income and expenditure debits of £97,333 (£286,849) and lower interest charges of £248,089 (£653,808).

For the full year to June 30, 1976 a loss of £1.21m. was incurred. No dividends have been paid since 1973/4.

In the first half of 1976/7 there were extraordinary credits of £136,870 (£481,530) and a £36,774 (£88,274) surplus over book value on disposal of property, leaving a deficit of £91,897 (£4,896 profit).

Stated loss per 25p share is 5.97p (12.69p).

The directors state that where properties are fully or substantially let, demand from purchasers is good. A number of such properties have, therefore, been recently placed on the market and sales at satisfactory prices are expected to be achieved.

A number of properties remain to be fully let. Demand is slow, but the company is persisting in its efforts to secure its full income potential.

Terms have been agreed for the cancellation of the development finance agreement and the extinction of the other loans for an aggregate payment of £678,200, together with the issue, credited as fully paid, of 200,000 nominal of 4 per cent. Convertible Loan Stock which will be identical with that already issued by the company.

Finance has been arranged on satisfactory terms to enable these arrangements to be implemented.

The effect of these arrangements will be to reduce the company's liabilities as to June 30, 1976 from £7.44m. to £5.97m. Interest on the loans since that date will be waived and the potential liability under the development finance agreement will be cancelled.

As a result of the arrangements gross assets at June 30, 1976 will be reduced from £8.04m. to £6.56m. The directors are currently negotiating further property sales.

They believe that the successful completion of these arrangements will greatly help the company in its efforts to establish a sound financial basis for future operations.

HP benefit for UDS

THERE IS now an accumulated fund of some £20m. in respect of deferred hire purchase profits and debt contingencies which will be reflected in future results of the UDS Group, reports Mr. B. Lyons, chairman, in his annual statement.

Looking to the immediate future he believes that much will depend on the nature of any new pay agreement with the unions. Prospects are also very much linked to the often unpredictable influence of Government measures, he adds.

Mr. Lyons says that the department stores division is ready to take suitable opportunities to extend the area of its activities into new locations. Helped by increasing tourist business William Whiteley of Queensway, W.2, should make an increasing contribution to divisional profits in the future, he adds.

As reported on May 20, pre-tax profits for the year to January 29, 1977, dropped from £18.13m. to £16.18m. Net turnover was ahead £20m. at £293.82m.

The tailoring business continued to make a contribution to profits although well below the high level of the years prior to 1975.

In the home shopping division profit was adversely affected by disappointing results from the mail order business, John Myers. Also, deferred profits carried forward accounted for almost £1m.

The chairman states that steps have been taken to improve the mail order business.

Additional funds of £8.74m. have been provided from the disposal of fixed assets and investments, of which £3.8m. relates to the sale of certain shop properties. either surplus to requirements or where disposal has been found financially advantageous. The profit on these sales in excess of book value amounted to £2.5m.

While noting that many companies treat such profits as trading profits, the chairman says that for the present at least the company should maintain its policy of treating this surplus as an extraordinary item which is then added to reserves.

At year-end future capital expenditure was estimated at £4.8m. (£6.61m.) including £1.98m. (£3.33m.) authorised but not contracted for.

Meeting, Savoy Hotel, July 26, 12.30 p.m.

See Lex

Standard Chartered dividend

Standard Chartered Bank announces that, following consultations with the Treasury, permission has been given for the payment of a final dividend, of 15.8846p gross. At the current rate of ACT the net amount would be 10.325p (instead of 9.3365p announced yesterday). Should the rate of ACT be reduced for 1977-78 a further amount will be paid in respect of any such tax adjustment.

Little change at Hicking Pentecost

Textile manufacturers and commission dyers, Hicking Pentecost and Co. achieved taxable profits of £420,530 for the year ended March 31, 1977 compared with £410,076, after £192,952 against £163,716 at halfway.

The directors say that during the current year knitwear exports have continued to improve and although there has been some decline in the home market, the order book is satisfactory up to the end of the year. Trading has continued to be slow in the dyeing division, they add.

The new capital project at the group's Queen's Road factory will be commissioned shortly and this, together with a programme of rationalisation within the division, will enable the group to make better use of its resources.

Improved manufacturing efficiency, resulting from the reorganisation in the previous year, together with an increase in export sales of 37 per cent. has enabled the knitwear division to show much improved profits, from £179,460 to £324,522.

The dyeing division showed reduced profits at £52,085 against £207,766 as a result of a lower demand for fabric printing and a sharp decline during the last four months in demand for dyed fabrics, they say.

Earnings per 30p share are shown as 8.84p (9.42p) and the dividend is stepped up to 6.381p (5.3486p) with a final of 4.081p net. The Treasury has given consent for the 15 per cent. increase. There was an increase in the capital last September with a placing of 425,000 stock units. An additional dividend may be paid if ACT is reduced.

	1976-77	1975-76
	£	£
Turnover	8,428,722	7,252,078
Trading profit	471,231	445,553
Interest	50,701	35,477
Profit before tax	420,530	410,076
Knitwear	324,522	179,460
Dyeing	52,085	207,766
Warp knitting	43,923	22,850
Taxation	211,725	208,735
Net profit	208,805	201,341
Dividends	163,466	117,946
Retained	45,339	83,395

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Feb International

Mr. Gordon Fisher, chairman of Feb International, says in his annual statement that he would anticipate that the group's level of profitability should be maintained in the sort of conditions currently being experienced.

The group's properties surplus to trading requirements have been let on long leases with five-year rent reviews. Certain properties and land are available in the Manchester area for development as small factory units. These assets, together with those used for the group's trading needs, continue to provide a solid basis for its activities and to provide some protection against inflation, the chairman says.

The chemical manufacturing division continues to increase its sales and profits, Mr. Fisher says, at home and abroad due to its varied product range and strong marketing practices.

The group's builders' merchant outlets situated in the north-west of England have suffered from the depressed state of the industry, the chairman comments, both as regards volume and profitability, and because of bad debts.

As reported on May 27, pre-tax profits for 1976 were little changed at £243,000 against £240,000. The dividend is lifted to 1.57p (1.43p).

Working capital increased by £65,000 (£112,000).

Meeting, Swinton, Manchester, July 14, at 10.30 a.m.

C.G.S.B. £117,900 at half time

Pre-tax profit of motor engineers and distributors CGSB Holdings for the half-year to March 31, 1977, rose from £86,600 to £117,900. The directors state that Leyland vehicle availability is now excellent and they look forward to good results for the second half.

Earnings per 10p share are shown ahead from 0.965p to 1.32p, and the interim dividend is raised from 0.35p to 0.4p net. Last year's total was 1.2751p from profits of £184,000.

Turnover for the half-year was higher at £6.26m. (£5.08m.), and the tax charge was £62,500 against £45,900.

Halma surges to £0.56m.

AFTER A midway advance from £65,792 to £170,107, pre-tax profits of Halma almost trebled for the year to March 31, 1977 to a record £560,738 compared with a depressed £190,163.

Mr. David Barber, chairman, who forecast record profits last January, says that the majority of the group companies produced excellent results and outstanding rates of return on capital employed. The group as now organised has real underlying strength and he is confident that, subject to no major deterioration in the economy, these results should be bettered in the current financial year.

He adds that the group has maintained a very strong balance sheet. A 30 per cent. increase in turnover, from £6.15m. to £7.97m., together with capital expenditure of £373,000, has been financed largely by internal cash flow and with only a relatively small increase in borrowings. At the year end total borrowing represented only 25 per cent. of capital employed.

Earnings per 10p share are shown as 6.07p (2.03p), and the dividend is lifted to 1.2453p (1.135p), the maximum allowed, with a final of 0.6885p net.

Exports increased by 82 per cent. to £1.59m.

The company manufactures safety systems, fire and environmental control products.

Rakusen up to £25,800 so far

After lower interest charges of £68,600, compared with £71,700, profit of Rakusen Group rose from £21,200 to £25,800 in the half year to end-December, 1976. No provision for tax has been made. Turnover for the half year was £0.62m., against £0.6m.

For the full year to June 30, 1976 the company incurred a loss of £0.18m. The last dividend was for 1973-74.

First National Holdings holds 20.01 per cent. of the Ordinary shares.

The directors said that following the Secretary of State's decision dated May 12, 1977 confirming the purchase notice served by the company on Leeds Corporation in respect of premises at Meanwood Road, negotiations regarding the company's claim against the corporation are in hand.

The successful conclusion to these negotiations will have a beneficial effect on both the liquidity and profitability of the group.

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Northern Goldsmiths

FURTHER EXPANSION is being considered by The Northern Goldsmiths Company and it is hoped that at least one first-class location may be added to the group during the coming year, reports Mr. R. C. Cooke, chairman, in his annual statement.

He says that recent Government announcements regarding relaxations in price and dividend controls augur well for 1978-79. In the meantime a greater freedom towards pay policy attitudes will create more cash spending power in the High Streets and the company "is confidently expecting its share of increased sales."

As known, pre-tax profit for the year to February 28, 1977 rose from £203,472 to £215,999 on turnover of £3.07m. (£2.68m.). The chairman is hopeful that the increased sales trend will continue during 1977.

Cash balances increased by £97,237 during the year (£198,632 decrease). The company is engaged in retailing jewellery.

ITC Pension Trust holds 5.269 per cent. of the equity. Meeting, Newcastle-upon-Tyne, July 26, 10.45 a.m.

Hardys & Hansons 21% rise

ON TURNOVER HIGHER at £855,354 against £738,579, pre-tax profit of brewing group Hardys and Hansons for the 26 weeks to April 1, 1977, rose 21 per cent. from £630,051 to £763,653. The directors state that this rate of increase is unlikely to be maintained in the second half as the weather has been cold and wet and generally less encouraging to sales than last year.

Stated earnings per 25p share are up from 6.034p to 7.345p, and the net interim dividend is stepped up from 1.8p to 2.1p to reduce disparity. The total last year was 6.4p from profits of £1.3m.

Tax for the half-year requires £397,000 (£328,000), and there are extraordinary credits of £66,677 (£5,732), being the net surplus from sales of fixed assets and investments.

Lilleshall trading profitably

During the first quarter of 1977 Lilleshall Company has traded profitably. Given suitable trading condtions in the U.K. for the rest of the year this trend should continue according to Mr. Allan Pike, the chairman, in his annual statement.

The steel mill has been working a four-day week for the first time for many years. The first stage of the modernisation programme, which is well up to schedule, will be completed shortly.

As already known, taxable profit for 1976 slumped to £27,846 (£0.29m.) on sales ahead from £9.13m. to £9.97m. The net dividend is cut to 1.5p (2.0558p) per 10p share.

At year end bank overdrafts showed a rise to £1.62m. (£0.62m.).

A payment of £20,510 (£2,500) was paid to a former director as compensation for loss of office.

Mr. Pike says that the fall in profit was chiefly due to the loss of £0.3m. (profits £1,294) in the housing division. This figure also provides for trading losses in the division for 1977.

In addition total known closure costs of the division account for the majority of the extraordinary debits of £0.27m. (credit, £65,498).

The engineering company is not yet making a profitable contribution and it may take another year before it is running satisfactorily. The total loss of £89,780 (profit £14,950) in this division includes £22,842 not provided previously covering the closure of the structural steel building activities, the chairman adds.

Meeting, Salop, on July 21, at noon.

Latter half improvement by J. Lyons

AFTER FALLING from £5.91m. to £4.65m. at halfway, pre-tax profits of J. Lyons and Co. started to improve, and ended 53 weeks to April 1, 1977, ahead from £7.43m. to £10.36m. This was despite the difficult trading conditions experienced by a number of businesses.

As foreshadowed the improvement is offset by higher interest charges, stemming partly from the high rates in the U.K. throughout much of the year, partly from the switching of loans from hard currencies to sterling and partly from the interest on the new Carlton bakery complex no longer being capitalised on its completion.

Exceptional items at £3.63m. (£2.6m.) this time are not expected to be significant in future years, says Mr. N. L. Salmon, chairman.

Stated earnings per £1 share are 5.2p (equivalent 4.6p) and the net final dividend is 3.335p for a total of 7.572p, compared with 7.3869p adjusted for the one-for-ten scrip.

After the payment of the final there is an overall reduction in reserves of £5.6m. This is mainly attributable to the high level of extraordinary items this year as a result of the realised losses caused by a fall in the value of sterling on repayment of foreign currency loans, provisions made for the losses incurred in South Africa and an adjustment to goodwill following the sale of part of French meat interests.

For the future Mr. Salmon says that the underlying strength in the U.S. economy and improvement in some of the mainstream U.K. businesses and major European operations contrast with the situation a year ago when attention was drawn to adverse factors in the environment and in some businesses. The recent fall in interest rates is also beneficial.

The directors now feel that, despite the loss of contribution from the businesses which have been sold, the current situation and the expected level of profits for the year provide a basis for reasoned optimism. On the basis of five months of the trading year for most overseas businesses and two months for most businesses in the U.K. the year can be said to have started encouragingly and in line with expectations.

In the U.K., operating profits improved but margins were reduced due to rising raw material costs and the influence of price control. Lyons Tetley in Tea and Cereal Mixes, Glacier Foods in Ice Cream and the private label businesses in Instant Coffee and Soft Drinks again performed satisfactorily. After a difficult start, Henry Telfer, the meat products business, finished the year with much improved throughput and efficiency and is now trading at a more satisfactory level. After a disappointing start the cake business performed markedly better as the year progressed.

The results of businesses in the U.S. were again outstanding and all three—Baskin-Robbins in Ice Cream, DCA Food Industries in Cereal Mixes and Tetley Inc. with tea and coffee—performed well.

Fortunes in Europe are dominated by the performance of two major pigment businesses, Hamburg in the Netherlands, Reybier in France—and in common with those of other manufacturers in that industry trading results were disappointing.

	1976-77	1975-76
	£m	£m
Turnover	[illegible]	[illegible]
U.K.	[illegible]	[illegible]
Food products	[illegible]	[illegible]
Hotels and catering	[illegible]	[illegible]
Property	[illegible]	[illegible]
Non-food	[illegible]	[illegible]
Food prods. Europe	[illegible]	[illegible]
Food prods. U.S.	[illegible]	[illegible]
Food prods. others	[illegible]	[illegible]
Hotels and catering	[illegible]	[illegible]
Businesses sold	[illegible]	[illegible]
Trading profit	[illegible]	[illegible]
U.K.	[illegible]	[illegible]
Food products	[illegible]	[illegible]
Hotels and catering	[illegible]	[illegible]
Property	[illegible]	[illegible]
Non-Food	[illegible]	[illegible]
Food prod. Europe	[illegible]	[illegible]
Food prods. U.S.	[illegible]	[illegible]
Food prods. others	[illegible]	[illegible]
Hotels and catering	[illegible]	[illegible]
Businesses sold	[illegible]	[illegible]
Share assoc.	[illegible]	[illegible]
Operating profit	[illegible]	[illegible]
Interest	[illegible]	[illegible]
Exceptional debits	[illegible]	[illegible]
Profit before tax	[illegible]	[illegible]
U.K. tax	[illegible]	[illegible]
Foreign tax	[illegible]	[illegible]
Assoc. tax	[illegible]	[illegible]
Prior years' tax credit	[illegible]	[illegible]
Net profit	[illegible]	[illegible]
Minorities	[illegible]	[illegible]
Pres. reval. surplus	[illegible]	[illegible]
Extraord. debits	[illegible]	[illegible]
Attributable	[illegible]	[illegible]
Pref. divs.	[illegible]	[illegible]
Ord. dividend	[illegible]	[illegible]
Retained	[illegible]	[illegible]

* Loss. † Attrib. to minorities to credit. ‡ To reserves.

See Lex

Blundell Permoglaze lower halfway

A drop in taxable profit from £0.35m. to £0.31m. is announced by Blundell-Permoglaze Holdings for the half year to April 30, 1977 but Mr. N. G. Bassett Smith, chairman, states that significant progress by the group and the underlying strength remains unimpaired.

The figures for May and the indications in June so far are encouraging and the company will undoubtedly return to the usual pattern of a better result in the second half, he says. With this trend continuing he repeats his forecast of a further improvement in profits at the year end.

It would then be the intention, to recommend that the total distribution be increased by the present permitted amount "and if at that time there is any relaxation of dividend control I believe the company will be able to take advantage of the position."

Meanwhile the net interim dividend is held at 0.86p absorbing £34,778—last year's total was 2.29p, paid from profit of £1.06m.

The industrial division started the year well and this trend continued throughout the half year. The performance of the decorative division has, however, been adversely affected by low demand due to poor weather, lower public sector spending and a lack of large painting contracts—in spite of this a small volume increase against the market trend was made and the division continues to be a significant force in the trade market. Severe competition has, however, affected unit profitability.

The export division continues to progress, particularly in the Middle and Far East, and has exceeded its budget targets.

In the new building chemicals division similar conditions to those concerning the decorative division have affected trading operations and a loss was incurred.

The Scottish division too suffered from the prolonged winter and did not make the improvement expected. The chairman reports that it has commenced the second half trading profitably.

A marked improvement in profits has resulted in Ireland despite the depressed state of the country's economy.

The results include figures relating to the Indian company—approval of the Indian Government to the sale of the company's shares is still awaited.

	Half-year 1976-77	1975-76
	£	£
Sales	7,510,366	6,458,548
Trading profit	397,858	447,066
Depreciation	124,178	96,565
Share associate	38,933	27,370
Profit before tax	318,613	377,871
Taxation	166,700	202,710
Holding co. and sub	141,800	184,400
Associate	24,900	18,310
Net profit	143,913	175,161
Minorities	988	†1,470
Pref. dividends	828	828
Attrib. Ordinary	142,177	175,803

† Loss.

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Somic turns in record £205,476

Kraft paper spinners and weavers Somic reports record pre-tax profits of £205,476 for the year ended March 31, 1977, compared with £164,227 on turnover up from £1.45m. to £1.84m.

At halfway profit was ahead at £80,843 against £55,329.

Earnings per 25p share are shown as 4.838p (3.774p) and the dividend is lifted to 2.2226p (2.1117p) absorbing £46,136 (£42,233) with a final of 1.4566p net.

Net profit emerged as £96,782 (£75,436) after tax £108,714 (£88,771).

Alliance Inv. expects higher earnings

For the current year Mr. H. C. Baring, chairman of Alliance Investment Company, is hopeful of higher earnings and dividends and that the large discounts in the net assets of investment trusts, compared with stock market prices, will be considerably reduced.

In his annual statement he explains that the company's investment policy is to combine capital growth with increasing income. In 1976-77 the concentration was on smaller companies with good growth prospects. The directors time over the possibility of Silentnight taking an interest in Foster. It is expected that the talks now in progress between the two will lead to a formal agreement being reached within two months.

intend to keep a high proportion of funds invested overseas in countries with low inflation and strong currencies.

As reported on June 16, pre-tax revenue was up from £0.4m. to £0.48m. for the year to April 30, 1977. The net dividend per 25p share is raised to 2.43p (equivalent 2.01p). Liquidity decreased by £0.38m. (£0.57m.) with deposit and bank balances down from £0.45m. to £0.38m.

The directors say that to have kept pace with inflation, earnings and net assets value would have had to have risen to 2.41p and 129p respectively. The actual figures achieved were 2.49p and 120p.

Meeting, 1-2 Laurence Pountney Hill, EC, on July 20 at 2.30 p.m.

M & G Dual ahead midway

After tax revenue of M. and G. Dual Trust for the six months to end June, 1977, rose from £249,447 to £292,842.

The interim dividend per 10p income share is lifted from 4.3p to 5p, and the directors forecast a final of at least 6p for a total of 11p, compared with 9.9p. Net revenue for the whole of last year was £569,204.

Asset value per capital share is shown as 242.15p.

LESNEY PRODUCTS

The current financial year is proceeding satisfactorily for Lesney Products, according to Mr. P. M. Tapscott at yesterday's annual meeting. Shareholders were told that "most major markets are well up to or ahead of budget, particularly in the, U.S., which continues to be the world's most important single toy market."

SILENTNIGHT

Shareholders in Silentnight were told by the chairman at yesterday's annual meeting that the group's half-year figures are ahead of those for the corresponding period.

The Board also states that Silentnight and R. Foster have been involved in talks for some

RESULTS AND ACCOUNTS IN BRIEF

ATTWOOD GARAGES—Results for year to January 31, 1977 reported June 16. Fixed assets £0.79m. (£0.8m.), net current assets £0.42m. (£0.3m.). ITC Pension Trust holds 6.19 per cent. of the equity. Chairman reports encouraging start to current year. Meeting, Wolverhampton, July 26, noon.

BANKERS INVESTMENT TRUST—Results, year to April 30, 1977, reported June 2. Investments quoted U.K. £29.66m. (£19.39m.), abroad £7.42m. (£8.07m.), unquoted at directors' valuation £0.19m. (£0.11m.), net current assets £0.49m. (£8.32m.). Liquidity up £0.19m. (down £3.75m.). Prudential Assurance Co holds 9.5 per cent.: Scottish Widows Fund and Life Assurance Society 5.2 per cent.: London and Manchester Assurance Co. 6.5 per cent.: Pearl Assurance Co. 5.9 per cent. Chairman says income should show satisfactory rate of increase. Winchester House EC, July 19, 2.30 p.m.

CAKEBREAD ROBEY AND COMPANY (building material distributors, etc.)—Results for 1976 reported May 17. Fixed assets £1.93m. (£1.94m.), net current assets £1.04m. (£0.96m.). At year end bank borrowings £0.93m. (£0.5m.). Mr. H. G. Groves holds 16.2 per cent.: Miss J. H. Robey 10.6 per cent.: Miss D. M. Robey 9.9 per cent. The company has close status. The directors look to future with confidence. Meeting, Enfield, July 18, 11 a.m.

CHAMBERLAIN AND HILL (makers of castings, etc.)—Results, year to March 31, 1977, reported May 19. Fixed assets £1.39m. (£1.38m.), net current assets £0.45m. (£0.32m.). Net outflow of funds £0.34m. (inflow £0.24m.). ITC Pension Trust and ITC Pension Investments holds 9.4 per cent.; Mrs. R. M. Elkington 6.9 per cent.: Mrs. A. C. Thorburn 6.2 per cent. Meeting, Walsall: July 22, noon.

COUNTRY AND NEW TOWN PROPERTIES—Results, year to January 31, 1977, reported June 14. Fixed assets £27.32m. (£28.34m.), current assets £8.35m. (£7.19m.), current liabilities £5.52m. (£6.05m.). Working capital up £31,218 (£0.81m.). Capital commitments £0.23m. (£0.32m.). British and Commonwealth Shipping Company holds 29.7 per cent.: Prudential Assurance Company 7.4 per cent. Auditors note that no provision has been made for amount of tax on capital and development gains which would become payable in event of future sales of U.K. properties. Meeting, 6-11, Agar Street, W.C., July 28, noon.

COUNTRY GENTLEMEN'S ASSOCIATION—Turnover £2.21m. (£2.13m.) for year to March 31, 1977. Profit £39,000 (£53,982) after all charges including tax of £43,463 (£32,039). Earnings per £1 share 49p (17p). Group profit for previous year includes an extraordinary credit of £40,059; no extraordinary items are included for 1976/77.

HOCROFT TRUST (electrical goods)—Results for year to March 31, 1977 already known. Fixed assets £0.35m. (£0.41m.). Net current liabilities £1,190,000 (£609,000). Holding company is Westforth Electrical and Automation. Meeting, 25 Milk St, EC, July 25, 1 p.m.

KEYSER ULLMAN HOLDINGS—Results and prospects year to March 31, 1977, reported June 21. Fixed assets £2.06m. (£3.46m.), investments £2.49m. (£2.77m.), current deposits and other accounts £173.74m. (£180.54m.), advances £141.92m. (£132.73m.). Prudential Assurance Company holds 17.08 per cent.: English Property Corporation 9.94 per cent. Auditors say they are unable to express opinion as to whether provisions against doubtful accounts will prove adequate or excessive. Meeting, 25, Milk Street, E.C., July 25, noon.

KWIK-FIT (TYRES AND EXHAUSTS) HOLDINGS—Results, year to February 28, 1977 reported May 31. Group fixed assets £1.56m. (£1.52m.). Net current assets £0.51m. (£0.3m.). Liquidity up £0.24m. (£0.19m.). Chairman looks forward to good year in 1977/78. Meeting, Great Eastern Hotel, EC, June 23, 11 a.m.

JOHN CROWTHER GROUP (cloth makers, etc.)—Results for 1976 reported May 14. Group fixed assets £2m. (£1.97m.) net current assets £0.78m. (£0.95m.) Working capital up £22,000 (down £0.45m.). Company has close status. Meeting, Huddersfield, July 15, noon.

NORMAND ELECTRICAL HOLDINGS—Results for year ended February 26, 1977 already known. Group fixed assets £2.61m. (£2.67m.). Net current assets £2.18m. (£1.89m.). Liquid funds decreased by £437,000 (£22,000 increase). Mrs. R. N. M. Garlake holds 11.06 per cent. of issued capital: Industrial and Commercial Finance Corporation 7.1 per cent.: Throgmorton Street Nominees 8.95 per cent. Healthy demand for products continues. Meeting Kensington Palace Hotel, W. July 19 at 11.45 a.m.

PENTLAND INDUSTRIES (general importers exporters, etc.)—Results for 1976 reported May 17. Group fixed assets £0.41m. (£0.39m.). Net current assets £1.17m. (£1m.). Working capital up £0.2m. (£23,000). Robert Stephen Holdings holds 5.43m. ordinary shares. Chairman expects continuing improvement. Meeting, New Barnet July 18.

PROVINCIAL LAUNDRIES—Results for 1976 already known. Fixed assets £0.25m. (£0.29m.), net current assets £88,923 (£35,478). Meeting, Great Northern Hotel, N., July 20, noon.

ROWLINSON CONSTRUCTION GROUP—Results, for year to March 31, 1977, reported June 14. Fixed assets £0.25m. (£0.22m.), net current assets £1.71m. (£1.17m.). Liquid funds increased by £0.59m. (£0.38m.). Meeting, Stockport, July 18, noon.

R. H. THOMPSON GROUP (food distributors)—Results, year to January 29, 1977, already known. Group fixed assets £0.71m. (£0.82m.). Net assets £2.69m. (£2.56m.). Working capital up £0.38m. (£0.17m.). Meeting, Waldorf Hotel, WC, June 28, 3 p.m.

SAINT PIRAN—Final 1.50p making 1.5125p on new capital. Turnover year to March 31, 1977, £12,337,860 (£9,110,399). Pre-tax profit £2,018,342 (£460,376). Tax £1,001,890 (£193,287). Attributable profit £833,313 (£196,760) after extraordinary debits £129,893 (£85,204). Earnings per share 3.26p (1.95p). Mining operations at South Crofty valued at £7,538,000. Surplus of £4,080,507 added to reserves.

MONEY MARKET

Full credit supply

Bank of England Minimum Lending Rate 8 per cent.
(since May 13, 1977)

Day-to-day credit was in good supply in the London money market yesterday and the authorities sold a small amount of Treasury bills in an effort to mop up the surplus although indications were that they did not succeed. The market was helped by a small excess of Government disbursements over revenue transfers to the Exchequer and a fall in the note circulation. On the other hand there was a net take up of Treasury bills.

Discount houses paid 6¾-7 per cent. for secured call loans in the early part of the day, but conditions became much easier and rates fell away down to 6 per cent. before finishing between 6¾ per cent. and 7 per cent.

In the interbank market overnight loans opened at 6¾-7 per cent. and eased to 6¼-6½ per cent. remaining there most of the morning. Activity increased in the afternoon however and rates firmed through 6¾-6⅞ per cent. to finish around 7 per cent. Short term fixed period interest rates continued to show a modest decline.

Rates in the table below are nominal in some cases.

June 29 1977	Sterling Certificates of deposits	Interbank	Local Authority deposits*	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury bills ⊕	Eligible Bank Bills⊕	Fine Trade Bills⊕
Overnight	—	6¼-7	—	—	—	7¼-7¾	6-7	—	—	—
2 days notice	—	—	7-7¼	—	—	—	—	—	—	—
7 days or 7 days notice	—	6⅞-7⅛	7-7¼	—	7⅝-7⅞	7⅝-7¾	6½-7	—	—	—
One month	7⅛-7¼	7⅛-7⅛	7¼-7⅝	8-8¼	7⅝-7⅞	7¾	7-7⅛	7¼-7⅛	7¼-7⅛	8-8⅛
Two months	7⅛-7⅛	7⅝-7⅞	—	8¼-8¼	7⅞-8⅛	—	7¼	7⅝	7⅛-7⅞	8-8⅛
Three months	7¼-7⅝	7⅛-7⅛	7¾-8	8¼-8¼	8-8⅛	—	7⅛	7⅛-7⅛	7⅛-7⅛	8¼-8⅛
Six months	8⅛-8¼	8⅛-8⅞	8¼-8⅞	8-8⅛	8⅞-9⅛	—	—	—	8¼-8¼	8⅛-8¾
Nine months	9⅛-9	9¼-9⅛	—	9⅞-9⅛	9¾-10	—	—	—	—	—
One year	9¼-9⅛	9⅛-9⅛	9¾-10¼	10¼-9¾	10-10⅛	—	—	—	—	—
Two years	—	—	11⅛-11⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rates nominally three years 12¼-12¾ per cent.; four years 13-13¼ per cent.; five years 13¼-13½ per cent. ⊕ Bank bill rates in table are buying rate for prime paper. Buying rates for four-month bank bills 7¹¹⁄₁₆-7¾ per cent.; four-month trade bills 8¼-8½ per cent.

Approximate selling rate for one-month Treasury bills 7¼-7⅜ per cent.; two-month 7¼-7¹¹⁄₃₂ per cent.; and three-month 7¹¹⁄₃₂-7 27-64ths per cent. Approximate selling rate for one-month bank bills 7¼-7⅜ per cent.; two-month 7¹¹⁄₃₂-7⅜ per cent.; and three-month 7½ per cent.; one-month trade bills 7¾-8 per cent.; two-month 7¾-8 per cent.; and also three-month 8 per cent.

Finance House Base Rate (published by the Finance Houses Association): 9½ per cent. from June 1, 1977. Clearing Bank Deposit Rates for small sums at seven days' notice 4 per cent. Clearing Bank Base Rate for lending 9½ per cent. Treasury Bills: Average tender rates of discount 7.4566 per cent.

MINING NEWS

Bethlehem Copper shuns Cominco bid

BY PAUL CHEESERIGHT

THE VANCOUVER group, Bethlehem Copper, has responded in lukewarm fashion to a cash bid from Cominco, the Canadian mining, fabricating and chemical concern, which values Bethlehem at $C116m. (£63.4m.). The president, Mr. Bryan Reynolds, said yesterday that Cominco's offer to buy the group was "considerably less than the conservatively estimated value of the shares."

Cominco is offering $C18 (985p) for the shares of Bethlehem it does not already hold. Its present stake is 12 per cent. of the issued capital. Other major shareholder are the U.S. group, Newmont Mining, with 23 per cent., and the Swedish group, Granges, with [illegible] per cent.

But Bethlehem estimates the current value of its shares at between $C23 and $C25, or some $C12 above the Toronto market level before the Cominco intention to bid was made public.

Mr. Reynolds stated that considerably higher values were justified if less conservative assumptions are made about the Lake Zone orebody in British Colombia's Highland Valley area.

Lake Zone is a prospect of about 800m. tons of ore, grading 0.48 per cent. copper. Some 80 per cent. of the orebody is held by Valley Copper, a Cominco subsidiary, while Bethlehem owns the remaining 20 per cent. The two groups have had talks about a joint development but there has been delay because of the unfriendly tax policy that existed in British Columbia until recently.

Mr. Reynolds said that the Cominco announcement apparently "reflects a decision on the Lake Zone", but he would not be more precise. Certainly it has been stated before that a copper price of 85 cents a lb. would be needed to justify a start. The present price is about 60 cents.

The attitude of Newmont and Granges to the Cominco offer has not yet been spelt out, but our Montreal correspondent reports that it is expected they will tender their shares.

Bethlehem's copper mining activities are in British Columbia, but it has exploration programmes in areas as far flung as Newfoundland and Mexico. Its subsidiary, Betheire, has been involved in joint exploration ventures in Ireland.

For its part, Cominco is one of the world's largest producers of lead and zinc and is a leading North American producer of fertilisers, potash and chemicals.

Last year Bethlehem ended up with net profits of $C1.7m. (£930,000) although it made a mining loss of $C2.2m. Cominco's net profits in 1976 were 35 per cent. down on 1975 at $C47.7m. (£26.1m.).

MORE DRILLING BY TEXASGULF

Drilling starts shortly at Kidd Creek, near Timmins in Ontario, to establish the extent of the mineralisation already known to exist near a mine owned by Texasgulf. The programme will be watched with intense interest by investors on the Toronto Stock Exchange.

Texasgulf drilled a hole 1.5 miles from its Kidd Creek mine and in May announced that at 275 feet it had intersected a 13 feet zone which averaged 14.1 per cent. zinc, 1.96 per cent. lead and 4.64 ounces of silver per ton. The drilling programme about to start follows up this discovery.

Texasgulf thought at the time of the first drilling that the hole was on its own land, but in fact the hole turned out to be on the land of Chance Mining and Exploration, a subsidiary of Conwest Exploration. This resulted in a change to the terms of a Texasgulf-Chance options agreement, in Chance's favour.

Chance shareholders have now approved the new agreement, opening the way to a drilling programme. They have watched the value of their shares increase by leaps and bounds. In the first part of May, Chance shares were at 30 cents but have since risen in Toronto to $C2.10.

Texasgulf has also discovered a satellite ore zone of its main Kidd Creek mine. Our Toronto correspondent reports that various theories are being canvassed about the ore deposition in the area.

The most common is that the find on Chance land and the new mineralised zone at Kidd Creek could be the same orebody. In that case the ore would traverse the property of another company active in the area, White Star Copper.

But Chance is doing its best to dampen false hopes. "With the information presently available it is not possible to predict whether the mineralisation intersected is representative of ore in economic quantities, nor is it possible to predict whether, if such ore is found it will be on the Chance property or on the Texasgulf property or both," a statement said.

MALARTIC WOOS CAMFLO AGAIN

The potential Canadian gold producer, Malartic Hygrade, plans to start drilling on its property near Val d'Or in Quebec next month. The programme will be under the direction of the London company B. L. Hodge and Partners.

The programme brings with it a revival of merger hopes between Malartic and Camflo Mines, which owns an adjoining property. The two companies have had talks in the past, but negotiations on a proposal for Camflo to mine and mill Malartic ore broke down in 1974.

The Malartic president, Mr. J. S. Belton, said recently that the "alternative to an acceptable arrangement with Camflow is the mining of the property with other partners." The Malartic directors are prepared to recommend a merger with Camflo on a share-for-share basis.

On the unlisted market in Toronto, Malartic were recently $C2.25 bid and $C2.75 asked, while Camflo were quoted yesterday on the listed market at $C11.62.

Mr. Belton states that much more is known about the Malartic ore reserves than usually accompanies a decision to attempt to bring a new gold mine to production, and "the two-target programme offered by the Malartic Hygrade property places it at the forefront of the prospective new Canadian gold mines."

ROUND-UP

In Australia, MIM Holdings is spending $A6m. (£3.87m.) to purchase from Wood Hall 40 per cent. of Collinsville Coal. This will make Collinsville a wholly-owned MIM subsidiary.

Morgan Grampian's record £2.1m. below budget

RECORD profits of £2.12m. before tax, compared with £1m., are reported by Morgan-Grampian for the year to March 31, 1977 but according to Mr. G. V. Sherren, chairman, the budget was not achieved.

This was due to another poor performance by David McKay, the book-publishing subsidiary in the U.S., which suffered from the continued deterioration in sales of hardback books throughout the book publishing industry, and to the development costs of the new Hi-Fi magazine launched after the company's budgets for the year had been announced.

At halfway profit was up from £0.31m. to £0.93m.

However, the progress forecast in the last annual report has become a reality, the chairman adds.

In view of the improvement, excellent prospects and the strong cash position of the company, a second interim dividend of 1.46p is declared, making a maximum permitted total of 2.6125p net (2.37542p)—if ACT is reduced a further payment will be made.

Stated earnings per 25p share are 9.9p (2.9p or 1.6p after extraordinary items).

The future looks very bright, he says. In the U.K. there are a number of new magazines to consolidate and launch. The company will enjoy a full year's profit from Music Week.

The Practitioner, which was purchased from Pearson Longman, is probably the best established postgraduate medical journal in the country and is a very exciting addition to the product range, Mr. Sherren states.

A new magazine—What's New in Farming—will be published monthly starting in October and will provide every major farmer in the country with a new product catalogue.

In partnership with the Weight Watchers Organisation Inc. the company published in May the first issue of the U.K. edition of Weight Watchers Magazine. Early indications are that this magazine will rapidly become successful.

The new Hi-Fi Weekly magazine is to be re-titled Hi-Fi Buyers' Guide and will be published monthly from September. Advertisers have welcomed this move and have appreciated that the new concept, while performing the same task as before, will be substantially more comprehensive.

Several new directories, all of which are linked to existing magazines, are currently being compiled for publication in 1978-79. In the U.S. the company is actively looking for new magazines.

The opportunity for growth is substantial—by maximising the profits of established magazines, by acquisition and by launching new magazines. Assuming some degree of economic stability, the company should continue to prosper.

Review 1976-77—Mr. Sherren says that in the U.K. Morgan-Grampian Business Press had a most successful year. The majority of the U.K. profit increase was earned by this division which now comprises four separate companies. They have gained market share with almost all their magazines.

Morgan-Grampian Consumer Press made great strides in expanding the specialist consumer publishing business. Music Week, which was purchased on January 1, 1977, is in every respect a business magazine but has been included in the consumer division because of the overall interest in music publishing.

Daltons Weekly also improved its results despite some sections of its market not being buoyant.

Morgan-Grampian Book Publishing Company is now a profitable unit which is set for further development.

In the U.S. David McKay Company Inc. is currently giving cause for concern. Dramatic strides have been made in changing David McKay and devoting resources to the "How To," "Do-it-Yourself" and "All About" type of book and concentrating on reference books such as the Fodor Travel Guides. These changes have been going on for some two years now and are beginning to take effect.

The college division was simply not viable at its present size and in the current year it has been agreed to sell it to Longman Inc. at book value for approximately $800,000 cash.

	1976-77	1975-76
	£000	£000
Sales	24,498	20,094
Trading profit	2,750	1,680
New magazine development	612	685
Profit before tax	2,118	995
Taxation	1,097	628
Net profit	1,021	367
Extraordinary debits	—	159
Dividends	278	254
Retained	743	76

* Loss.

● comment

Although Morgan-Grampian's more than doubled profits are not to be sniffed at, they were £1m. short of budget. What is more, the forecast was made on the basis of a 15 per cent. increase in sales whereas the actual increase was 22 per cent. There was also the additional boost of high interest rates on £2m. on short-term deposits. Part of the reason lies in the costs of launching Hi Fi Weekly (now to be re-named Hi Fi Buyers' Guide and published monthly). But the real fly in the ointment was the continuing loss at the U.S. subsidiary, David McKay, which, even after the sale to Longmans of the educational College Division, still does not look like making profits for a while yet. Elsewhere, the picture is getting steadily brighter, with a strong recovery in display advertising right across the board and even some signs that classified advertising may be beginning to pick up. Morgan-Grampian still has some way to go before regaining its historic trading margins of around 20 per cent. but it is on the way, and a clutch of new titles augurs well for continued growth next year. Despite all this the p/e of 11 at 110p is already high, particularly as the yield is only 3.7 per cent.

BIDS AND DEALS

Borthwick talks continue

Thomas Borthwick, the meat wholesaler, is trying to negotiate agreed terms for its planned bid for Matthews Holdings, the butchers chain, and is finding that the process takes time. The managements of both companies put out a statement yesterday confirming that they were continuing to evaluate "commercial benefits" and that their advisers were still exchanging "financial information."

Under the City Takeover Code there is no limit on the length of time announced merger discussions can continue before terms are anounced, or the discussions broken off.

ASSOCIATE DEALS

Rowe, Rudd and Company announces that Purbeck Group has sold 25,000 Singol Holdings Ordinary at 17¾p and a further 25,000 at 18p. They also sold 75,000 Singlo Holdings 10 per cent. Cumulative Convertible Preference shares at 84½p.

Chambers and Remington has purchased on behalf of Caparo Investments 7,500 shares in Purbeck.

CAVENHAM/GO

Cavenham has been notified by Prudential Assurance that following the partial bid by Generale Occidentale they now no longer hold 5 per cent. or more of the Ordinary share capital of Cavenham.

Further to the announcement on June 16, Hambros Bank announces that the bases for scaling down acceptances in excess of one half of an individual's total holding have been marginally readjusted, after final verification of acceptances to the register. GO will now scale down the number of shares and warrants comprised in each valid acceptance received in respect of more than one half of any individual's total holding by 88 per cent. of such excess over one half in respect of the Ordinary shares and 51 per cent. of such excess over one half in respect of the warrants.

WILLIAMS HUDSON

Ordinary shareholders and holders of the 8½ per cent. convertible unsecured loan stock 1990-95 of Williams Hudson Group are reminded that the closing date of the offers by Argo Group SA is Friday, July 1, 1977 at 3.00 p.m. Those who wish to accept the offers and do not have acceptance forms are advised to contact standard industrial trust.

SHARE STAKES

Cooper Industries — Poplars Lichfield, a company controlled by Mr. S. E. W. Cooper, has sold 25,000 Ordinary shares.

Australian Agricultural—Colonial Mutual Life Assurance Society now holds 3,960,397 shares (of which 200,000 are held in a custodian account with the National Nominees (Vic). Colonial Mutual Life Assurance Society No. 2 account holds 480,000. Colonial Mutual Life Assurance Society of 24 Ludgate Hill, London, holds 96,000 shares and CML Nominees Proprietary of 330, Collins Street, Melbourne holds 369,000 shares.

S. and W. Berisford (company's correction) in notification of June 17, 1977—new shares taken up by Mr. A. Hubert should have read 7,500 and not 75,000 as reported.

Churchbury Estates—McCleod Russel and Co. has purchased a further 50,000 Ordinary shares and now holds 309,000 (19.31 per per cent.) Ordinary shares.

SOUTHERN INDIA TEA ESTATES

The Board of Southern India Tea Estates is having talks with another party which may lead to an agreed cash offer for the company.

The company has also been told that a Rupeeisation Scheme has been approved by the relevant departments of the Indian Government and that shareholders' approval is now required in the High Court.

The scheme basically involves transfer with effect from March 1, 1976 of the company's entire Indian undertaking to a new Rupee Company for consideration of Rs.5,384,000 (£355,000) to be satisfied by

1. 80,000 fully paid equity shares for 10 each of new Indian company (representing 40 per cent. of total issued equity shares).

2. Rs.1m. (£66,000) cash payment within 14 days of the scheme becoming effective.

3. Rs.3,584,000 (£236,000) interest free secured loan stock repayable in five equal annual instalments, the first of such instalments commencing on January 1, 1978.

It is anticipated that no undue delay will arise in remittance of cash payments to the U.K.

The Indian counterpart to the Rupeeisation scheme is Badri Prasad Poddar who will subscribe or procure subscription for the remaining 60 per cent. of the equity shares of the new Indian company and who will guarantee due repayment of the loan stock by the new Indian company to the extent of 60 per cent.

In the event of funds not being available to repay the remaining 40 per cent., the new Indian company will issue additional shares to maintain the ratio of 40 per cent. ownership by Southern India and 60 per cent. by Indian residents.

Arrangements in hand for full particulars of the rupeeisation scheme are to be sent to holders and for convening the EGM to consider the scheme.

Pegler Hattersley well placed

AT PRESENT there is a weakness in some traditional markets where recovery may be slow but Pegler Hattersley is well placed to take advantage of any favourable situation which arises, Mr. J. M. Harrison, chairman, tells members.

He anticipates further progress in international activities but there is continuing economic uncertainty in the UK and in some other parts of the world.

If the situation does not deteriorate during the next six months he expects the company to maintain its position in 1977/78.

In the current year the directors expect to spend more on investment in fixed assets "because we are fully alive to the requirement that we must keep abreast of all developments in our trade and, indeed, wherever possible, ahead of them".

He emphasises that if inflation continues at the level of the past few months, or increases, the company's position in export markets will be jeopardised.

As reported on June 9, pre-tax profit for the 53 weeks to April 2, 1977, rose from £14.44m. to £18.16m.

Orders at the start of the year proved adequate, but there was concern at times: during the past four months there have been more encouraging signs, however.

There was an increase in liquid funds of £9.19m. (£7.52m.).

The company makes building products, industrial valves and general industrial components.

Meeting, Doncaster Racecourse, July 2, noon.

Marginal rise midterm by Vectis Stone

On turnover ahead from £3.45m. to £4m., pre-tax profits of Vectis Stone Group were little changed at £126,513 for the six-month period ended March 31, 1977 compared with £125,183.

The directors state that the level of activity in the current half-year has been encouraging and they anticipate that, subject to unforeseen circumstances, group profit for the year should be not less than the 1976 profit of £344,780.

The building and construction industry was adversely affected by bad weather which persisted throughout the period, they add, but the petroleum product distribution division operated satisfactorily.

An interim dividend of 0.6p net is announced, against 0.5p. Last year's total was 1.328p.

	Six months 1976-77	1975-76
	£	£
Group turnover*	[illegible]	[illegible]
Supplies	[illegible]	[illegible]
Distribution	[illegible]	[illegible]
Pre-tax profit	126,513	125,183
Taxation	[illegible]	[illegible]
Net profit	[illegible]	[illegible]

* Includes the value of civil engineering work executed during the period and inter-company sales of [illegible] and services to building and construction industry and transport [illegible] of petroleum products (including excise duty).

Vinatex blast 'would outdo Flixborough'

By Raymond Chesterfield

DR. JOHN MARSHALL, a consultant scientist and engineer, told a public inquiry at Chesterfield yesterday that a blast nearly three times as powerful as the Flixborough explosion could be the result of an accident at the chemical complex at Staveley, Derbyshire. Houses up to 200 metres away would be flattened.

Dr. Marshall was giving evidence on behalf of Chesterfield borough council at the inquiry into an application by Vinatex for planning permission for a £20m. expansion of its PVC plant at Staveley.

He was asked by Mr. Gerard Ryan, representing the council, what the TNT equivalent of the Flixborough explosion had been. "About 15 to 45 tons," he said.

The storage tank planned for Staveley would contain 300 tons of a gas used in the manufacture of PVC.

The inquiry continues to-day.

Bank agrees to take no more deposits

THE International Bank and Trust Company of the Middle East agreed in the High Court yesterday not to accept any more deposits from the public pending the outcome of a petition seeking the compulsory winding-up of the company.

It also undertook to incur no further liabilities, save to meet necessary administrative expenses. A firm of chartered accountants will prepare a report on the company's solvency for the resumed hearing in three weeks.

The petition from Prince Fawzi Abdullatif, a shareholder and former director of the bank, who claims that the bank is insolvent because it failed to clear his cheque for £4,000. The bank denies insolvency, and alleges that Prince Fawzi's liabilities to the bank are greater than his funds.

NOTICE OF REDEMPTION

To the Holders of

ENTE NAZIONALE IDROCARBURI

E.N.I.

(National Hydrocarbons Authority)

6% Sinking Fund Debentures due February 1, 1981

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Sinking Fund for the Debentures of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected by lot for redemption on August 1, 1977 at the principal amount thereof $792,000 principal amount of said Debentures bearing the following serial numbers:

DEBENTURES OF U.S. $1,000 EACH

M118	1064	1840	2572	3637	5432	6112	6740	7447	8453	10725	13709	14806	16049	17091	18044	19070
122	1133	1843	2576	3648	5447	6128	6757	7455	8456	10827	13719	14902	16073	17113	18050	19078
165	1138	1847	2621	3691	5494	6133	6788	7493	8486	10858	13746	14943	16075	17115	18137	19097
178	1142	1848	2633	3919	5501	6148	6791	7501	8492	11106	13749	14945	16096	17122	18147	19099
196	1156	1861	2638	3950	5545	6186	6834	7529	8501	11335	13757	14953	16116	17217	18153	19114
199	1173	1867	2642	3955	5549	6221	6836	7531	8503	11347	13771	14973	16132	17240	18155	19131
218	1183	1892	2668	3958	5551	6227	6844	7553	8523	11401	13790	14989	16162	17292	18158	19145
224	1207	1895	2700	3962	5572	6242	6852	7556	8552	11486	13798	15036	16166	17293	18164	19204
230	1221	1908	2701	3965	5593	6244	6864	7559	8562	11491	13805	15085	16168	17300	18186	19208
279	1234	1919	2724	4032	5613	6285	6905	7587	8577	11518	13613	15141	16191	17331	18167	19215
282	1274	1921	2739	4048	5628	6295	6925	7611	8627	11537	13830	15171	16205	17350	18211	19260
294	1283	1929	2743	4059	5667	6300	6949	7630	8638	11869	13840	15175	16209	17354	18217	19265
311	1290	1931	2752	4114	5674	6314	6951	7645	8655	12236	13841	15251	16214	17382	18243	19290
324	1296	1960	2760	4160	5699	6327	6952	7653	8727	12365	13942	15296	16264	17439	18260	19326
335	1304	1980	2800	4169	5702	6342	6962	7671	8770	12398	13969	15297	16266	17499	18267	19329
345	1319	1982	2824	4205	5704	6345	7024	7693	8774	12518	13986	15301	16322	17502	18279	19332
354	1368	1995	2828	4225	5715	6370	7025	7698	8787	12531	13990	15302	16327	17503	18294	19371
367	1370	2001	2858	4236	5723	6375	7026	7712	8841	12778	14037	15326	16345	17534	18318	19394
383	1396	2012	2880	4425	5725	6394	7085	7715	8871	12812	14046	15338	16371	17537	18567	19404
395	1402	2046	2883	4585	5731	6405	7159	7742	8872	12833	14061	15342	16381	17545	18581	19421
438	1412	2050	2886	4744	5747	6408	7173	7758	8882	12864	14105	15345	16404	17557	18605	19443
451	1429	2062	2918	4800	5752	6423	7169	7766	8890	12895	14109	15347	16409	17559	18607	19476
477	1441	2094	2923	4808	5812	6432	7190	7784	8901	12970	14116	15357	16410	17651	18617	19515
480	1442	2098	2937	4869	5818	6433	7192	7823	8917	12972	14122	15362	16435	17662	18618	19520
521	1472	2102	2955	4886	5822	6463	7222	7847	9008	12982	14131	15411	16436	17681	18622	19550
523	1506	2168	2988	5059	5825	6466	7240	7853	9165	13398	14135	15426	16440	17688	18629	19553
544	1525	2172	3008	5061	5832	6493	7248	7855	9186	13404	14162	15449	16458	17693	18732	19629
564	1535	2204	3014	5090	5865	6499	7269	7861	9201	13407	14170	15464	16481	17696	18756	19702
619	1557	2315	3057	5107	5875	6501	7285	7869	9458	13408	14172	15508	16520	17722	18769	19717
629	1561	2349	3066	5123	5879	6515	7299	7890	9495	13409	14178	15532	16533	17729	18773	19727
701	1573	2356	3070	5130	5908	6527	7306	7913	9543	13429	14209	15556	16538	17754	18783	19735
705	1615	2364	3091	5185	5918	6528	7313	7932	9547	13446	14247	15696	16545	17755	18804	19758
706	1636	2366	3133	5196	5927	6548	7316	7939	9552	13451	14248	15697	16555	17769	18852	19763
709	1638	2385	3135	5199	5969	6551	7318	7983	9606	13456	14253	15745	16575	17785	18862	19773
766	1647	2400	3151	5249	5970	6552	7319	8009	9644	13464	14255	15747	16627	17811	18871	19774
812	1648	2421	3171	5261	5994	6603	7320	8029	9875	13467	14355	15750	16639	17878	18885	19866
814	1694	2424	3173	5277	5996	6609	7322	8061	9881	13471	14356	15764	16631	17913	18895	19919
826	1726	2436	3234	5321	6000	6611	7323	8071	9892	13520	14448	15765	16637	17921	18917	19930
842	1738	2442	3238	5336	6005	6627	7342	8089	9952	13533	14513	15792	16638	17927	18938	19933
843	1760	2450	3256	5360	6012	6632	7350	8108	9981	13535	14653	15793	16651	17936	18244	19338
870	1769	2487	3259	5368	6013	6645	7361	8112	10020	13543	14660	15794	16806	17939	18953	
889	1771	2499	3292	5385	6019	6668	7374	8146	10054	13563	14670	15889	16808	17959	18969	
996	1780	2544	3535	5387	6021	6682	7424	8152	10113	13617	14691	15900	16995	17960	18982	
1037	1805	2548	3539	5393	6022	6691	7430	8179	10134	13638	14731	15922	17033	17988	18989	
1039	1809	2556	3543	5404	6073	6708	7432	8200	10278	13642	14735	15932	17035	18004	18999	
1046	1832	2562	3556	5420	6084	6711	7433	8203	10284	13659	14742	15997	17049	18030	19029	
1047	1839	2569	3590	5428	6110	6726	7439	8391	10407	13702	14805	16043	17087	18032	19034	

On August 1, 1977, there will become and be due and payable upon each Debenture the principal amount thereof, in such coin or currency of the United States of America as on said date is legal tender for the payment therein of public and private debts, at the option of the holder, either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 15 Broad Street, New York, N.Y. 10015, or (b) subject to any laws and regulations applicable thereto with respect to the payment, currency of payment or otherwise in the country of any of the following offices, at the principal office of Banca Nazionale del Lavoro in Rome or the principal office of Banca Commerciale Italiana in Milan or the main offices of Morgan Guaranty Trust Company of New York in London, Brussels, Paris or Frankfurt or the main office of Algemene Bank Nederland N.V. in Amsterdam or the main office of Kredietbank S.A. Luxembourgeoise in Luxembourg-Ville.

Debentures surrendered for redemption should have attached all unmatured coupons appurtenant thereto. Coupons due August 1, 1977 should be detached and collected in the usual manner.

From and after August 1, 1977 interest shall cease to accrue on the Debentures herein designated for redemption.

ENTE NAZIONALE IDROCARBURI
By: MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, *Fiscal Agent*

June 30, 1977

NOTICE

The following Debentures previously called for redemption have not as yet been presented for payment:

DEBENTURES OF U.S. $1,000 EACH

M 9106	12859	14926	15795	16174	16213	16247	16277	16304	16373
12352	14925	14930	15796	16195	16227	16272	16302	16348	

EXTENSION OF EEC FREE TRADE

Challenge to Israeli industry

BY ROY HODSON, recently in Israel

ISRAEL HAS only a few companies so far able to compete internationally in advanced metal working. Among them is Iscar which is exceptional in that it has even built up a thriving export business to U.S. and European aero engine makers in jet engine blades, a notoriously tricky item to make.

Iscar's founder and managing director, Mr. Stef Wertheimer, took a day off this month from the company's garden factories on the Mediterranean shore and, supported by the good wishes of his staff, presented himself at the new Knesset (Parliament) session in Jerusalem. He took his seat for the first time as a member for the Democratic Movement for Change party, the new political party which entered the political arena in the election on May 17.

He brought along the ideas which have made him one of the leaders of a growing band of industrial radicals in Israel. From key positions within the private sector of industry, from within the trade union movement (which actually owns about 25 per cent. of Israeli industry), and from within the civil service, Mr. Wertheimer and others are planning a drive to base the economy firmly upon the export of the skills and products of high technology.

The Knesset is strange territory for Mr. Wertheimer. But he intends to make sure that the new Parliament is occasionally diverted from party infighting and preoccupations with defence during this summer in order to consider the social and economic implications of the changes which are even now taking place in Israel's industrial economy.

The Likud bloc which emerged as the major party and formed the new Government this month has yet to announce its programme for industry. In its election campaign the party committed itself to bringing about a structural shift of manpower and resources away from services to production, particularly into industry where the main growth potential lies. With its liberal economic outlook, the Likud is in favour of giving the private sector a bigger role. There are many hard-headed businessmen in its ranks to give advice and Likud could give the sector a powerful boost.

After making a first tour of Israeli industry 14 years ago I then risked a prediction that one way the young state might develop would be to enjoy the blessings of sun, sea, and oranges and lemons in the hedgerows, and to sink into the comfortable lethargy of an economy based upon natural benefits. Many such cases are to be found among the nations of the Mediterranean basin. But two wars, the continuing hostility of the Arab nations backed by their petro-dollars, and the restless energy of the Israelis have made nonsense of that possibility.

Israel has one of the world's fastest-growing industrial economies. It is unhampered by old manufacturing plant and norms and is ready to invest in new ideas as fast as the money is available. And in the first five months of this year foreign funds flowing in for industrial investment have risen to pre-October War levels.

Growth

Much is likely to come out of Israel if the industrial reformers achieve their twin desires of channelling much more of the country's labour resources into industrial production while, at the same time, giving the industrial drive a welcome transfusion of high technology by switching more of the country's formidable scientific strength from pure research into saleable development work.

Israel's industrial exports were worth only $200m. a year in 1961. By the end of last year they were running at ten times that rate. Taking into account changing dollar values the annual rate of growth for industrial exports has been 15 per cent. over the period. To continue to achieve an export growth rate at anything like that of the early years Israel must overhaul its existing industrial structure, set up new industries, and identify new products which can be made successfully and exported into major world markets by a nation of only 3m. people.

Clearly mass production is not the answer. The Israeli solution now being backed by most industrialists, economists, and the Government, and being put forward for general acceptance, is to use high technology as the base for future industrial growth and to concentrate upon "tailor-made" products which will be competitive in even the toughest export markets.

In view of these aspirations, July 1 is a date of great practical and psychological importance in Israel's industrial expansion. For from to-morrow the European Community becomes a free market for Israel with the abolition of the remaining tariffs against Israeli goods. They have been reducing in stages for the past two years. The average tariff barrier was 7 per cent. before the reductions started, but some items such as chemicals and textiles carried between 15 per cent. and 20 per cent.

Although the abolition of the remaining tariff percentages will be welcome to Israel, the more considerable boost on July 1 will be psychological. For the first time since the formation of the State nearly 30 years ago Israel will have full and free access both to U.S. markets (under an existing developing nation agreement) and to the almost equally big West European market.

Last year Israeli hopes of an industrial exports boom were buoyed up by an unusually high rate of growth of 26 per cent. in the value of industrial goods exported. Meanwhile the country's exports of metals and electronics have doubled in two years. Those figures are being taken as evidence that the advanced Israeli industries are already in good shape to take up the challenges offered by free access to all the Community member states. The process of strengthening Israeli trade ties, marketing and sales and servicing organisations in the Nine has already begun and is expected to quicken perceptibly.

July 1 will also mark the beginning of the end of protection for Israeli industry in its home market. Under the Israeli-EEC agreement the import tariffs of Common Market goods sold in Israel will be dismantled over a period. The process is to be completed by the mid-1980s.

The reducing import tariffs will have a profound effect upon life in Israel. For some areas of manufacturing industry the removal of protection will be nothing short of brutal. That is exactly the effect which the architects of the new free-trading arrangements on the Israeli side are looking for. They see July 1 as the point at which the great reshaping of Israeli industry on a new high technology base can start in earnest.

"If you cannot change the nature of the economy from within because of entrenched pressure groups such as the unions, the farmers, and the older industries, then the other way is to break down the walls and let in the outside competitors . . ." that was how a Government official explained the strategy.

The trade unions are going along with the free trade policy. They are persuaded that there is no sensible alternative if Israel is to avoid being discriminated against in European markets. It is doubtful whether the movement generally realises yet just how far the new industrialisation wave will go if it is not blocked by a war, a recession, or lack of will to succeed.

To symbolise a fresh Israeli approach towards industrialisation Mr. Wertheimer wants to build a new town in Galilee. It would be a national centre for scientific and high technology industry. The site has already been chosen: a bare hill with a distant view of the sea. Nearly 2,000 prospective townspeople assembled there recently. They have chosen the name, Rosetown.

Fighter

There would be much in common between Rosetown and the post-war British new towns. But for Israel Rosetown would be a radical departure. The State was settled by the kibbutzim movement and the 300 kibbutzim flourishing to-day exist fundamentally as societies upon which work activities are grafted on as necessary for food and comfort. Rosetown, in contrast, would exist as an industrial centre in which people would be welcome to participate. If Rosetown is built Israel can be judged to be well on the way to her new high technology way of life.

A simple illustration of the value of advanced industry to Israel is that one squadron of its new Kfir fighter planes sold overseas would represent a $U.S.150m. deal and would equal in foreign exchange value the orange crop exports for an entire season.

The official strategy for the shift of effort into high technology is simple:

● Avoid mass production of consumer goods.

● Maximise use of Is[...] special strengths in indu[...] based on agriculture and [...]tary equipment.

● The chemicals industr[...] a secure foundation on [...] natural resources of p[...] phosphates, and bromides should be developed [...] market."

● Capitalise on Israel's [...] power.

An example of combi[...] sophisticated agricultural [...] chemicals experience is [...]vided by a company c[...] Plantex. It processes medi[...] plants gathered from [...] parts of the world into pha[...]ceutical base materials. Rec[...] the plants have been introd[...] to Israel and are now b[...] grown there on a comme[...] scale to supply the comp[...] The foundations have thus [...] constructed for an industr[...] supply plant-derived pha[...]ceuticals world-wide [...] Israel.

Another company, Scitex, [...] harnessed the skills of Isr[...] fledgling computer industr[...] the traditional fashion fa[...] industry. The result has [...] a special computer which [...]verts designs into produc[...] weaving and cuts the time [...] fabrics production dramatic[...] Within three years Scitex [...] built up a $U.S.12m.-a[...] export trade with the devic[...]

The most sensitive issue [...]fronting Israel's aspiring in[...]trialists now is to woo scient[...] away from pure research [...] industrial research and deve[...]ment. The entire country [...] spends $U.S.50m. a year [...] non-military industrial R an[...] That is less than Lockhe[...] budget. Following a report [...] year by Professor I. Ya'a[...] the chief Government scient[...] the Government has accep[...] that there is a need to get m[...] practical returns from Isra[...] impressive research institutio[...] On his advice the Governm[...] is now only giving financ[...] support to "directed researc[...] with an end benefit in vi[...] "One of our problems is t[...] our scientists love research [...] its own sake," said Ya'akov.

In the final analysis Israe[...] industrial progress will depe[...] upon shifting people as well [...] resources into the industr[...] sector. That will not be ea[...] Banking, administration, [...]search, and academic life, a[...] all at present preferred [...] industrial careers.

هكذا من الاصل

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Off another 4.4 in early trading

BY OUR WALL STREET CORRESPONDENT

NEW YORK, June 29.

THE DECLINE continued on Wall Street to-day, although the market was slightly above the worst. Following the decision by nine OPEC members to cancel a planned 5 per cent. oil price increase.

Closing prices and market reports were not available for this edition.

By 1 p.m. the Dow Jones Industrial average was down another 4.41 at 911.21 and the NYSE All Common Index shed 19 cents to 54.73, while declining stocks outnumbered advances by nearly a two-to-one majority. Trading volume was slack at 11.5m. shares.

Analysts credited a decision by the OPEC countries to drop its planned oil price rise with a brief flurry of buying. Nine members of the Organisation announced today they agreed to drop the price increase scheduled for July 1, but Iraq and Libya abstained.

But the Stock Market continued to be affected by adverse economic news, including prospects of an economic slowdown in the second half year.

The opening coincided with a report from the Commerce Department that the May Index of Leading Economic Indicators fell 0.2 per cent. after a 0.5 per cent. increase for April.

Oils were among the early losers. Yesterday, the Interstate Commerce Commission rejected rates proposed by the owners of the Alaska Pipeline. Mobil shed $¼ to $67⅜, Atlantic Richfield $⅞ to $60⅛ and Standard Oil of Ohio $⅞ to $89.

But Exxon rose $¼ to $53, Texaco $¼ to $28⅜ and Standard Oil of California $¼ to $42.

Rockwell International put on $⅜ to $36⅛—the House voted last night to fund the company's B-1 Strategic Bomber.

Some major Steels continued to be depressed on the uncertain outlook for steel demand in the months ahead, although Republic Steel, off $⅛ at $27⅞, said to-day it is confident of its second half market.

THE AMERICAN SE Market Value Index was down 0.35 to 119.34, while the volume approximated 1.43m. shares.

Among the active issues, International Banknote moved up $⅛ to $3⅛.

TUESDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
British Petroleum ..	411,600	16⅛	—⅛
Resorts Pattern...	370,500	13⅝	—⅛
Tandy Corpn.	277,100	27⅞	—⅛
Digital Equipment ..	196,200	47	—1
Amer. Motors Corp.	198,000	4	—⅛
Lockheed Aircraft ..	190,300	15	—⅛
Amer. Electric Pwr.	189,300	24	—⅛
Texas Intnl. Co.	179,300	10⅛	+⅛
Ampex Corpn.	169,500	9⅞	+⅛
Rapid American	163,900	8	+⅛

OTHER MARKETS

Canada again lower

With the exception of golds, which firmed 0.2 to 957.4 on index, all other sectors lost further ground in moderate trading on Canadian Stock Markets yesterday morning.

The metals and minerals index dipped 7.3 to 1051.2. Oil and gas 8.2 to 1180.5. Utilities 0.24 to 160.38. Banks 0.57 to 238.5 and Papers 0.53 to 97.96.

Bow Valley at $19⅞ and Alcan Aluminium at $28⅜ each lost $⅛, while Dome Petroleum at $41⅛, Cominco at $34, and Westburne International at $9⅞ each declined $⅛.

PARIS — Market retreated further across the board on additional profit-taking.

Banks, Foods, Motors, Constructions, Engineerings, Oils, Chemicals and particularly Electricals, all lost ground.

Foreign stocks were mixed, with U.S. issues weak. Golds eased, while Dutch and German shares were mixed to firm.

BRUSSELS—Mostly lower on profit-taking.

Local shares declined in the Steel sector, with Hainaut Sambre down Frs.58 to 920.

Chemicals gained ground, with Solvay up Frs.10 to 2745. Oils were mixed.

In Foreign stocks, U.K., Canadian and French issues were mostly lower, German stocks rose, Dutch shares were little changed, while U.S. stocks fell.

Gold Mines were also down.

AMSTERDAM—Market eased slightly in quiet conditions.

Royal Dutch dipped Fs.1.3 to 143.3 to lead Dutch Internationals lower, although Hoogovens rose Fs.0.40 to 36.

Insurances firmed, with the exception of Nationale Nederlanden which shed Fs.0.30 to 91.6.

Heineken rose Fs.0.50 and Dell put on Fs1.

State Loans were very steady after news of the 100.9 per cent. issue price put on the latest State issue.

COPENHAGEN—Lower over a broad front in active dealings.

GERMANY—Mainly weaker on lack of follow-up support, although leading stocks were generally at most one mark lower.

Bayer firmed DM0.20 to 142, although its chairman said 1977 results so far have not matched expectations.

VW lost DM2.9 to 172.8 despite rumours that plans to manufacture motorcycles—a company spokesman has since denied the rumour.

Electricals were off about DM1, except for Brown Boveri, which gained DM3.00.

OSLO — Industrials, Bankings, Insurances and Shippings were quiet.

SWITZERLAND — Mixed in generally light trading.

Among otherwise little changed major Banks, Kreditanstalt Bearer and Registered each drifted lower.

Small gains and losses were almost balanced in Financials and Insurances. Bally rose Frs.45 to 1,260 following its 1976 results and dividend.

Gains held a small edge over losses in leading Industrials.

Foreign sector generally quiet. Dollar stocks edged lower. Dutch Internationals and Germans barely steady.

SPAIN—Quiet with market slightly easier. A feature was renewed trading in Galerias Preciados, which were over offered at 214, down 3.

Constructions and Properties, however, showed some rises.

MILAN—Higher in fairly active trading. All leading Industrials recovered Tuesday's losses.

Financials, Insurances and Banks also gained ground.

Bonds were generally steady.

VIENNA—Market edged lower in continued quiet trading.

JOHANNESBURG — Quiet following general lack of interest, with Golds weaker in line with the lower bullion price. "Heavyweights" lost up to 60 cents, while "mediums" and "lightweight" issues shed up to 15 cents.

HONG KONG—Higher in light trading.

Hong Kong Bank were up 10 cents to $HK17.90. Hong Kong Land 5 cents to 7.10. New World up 1 cent to 1.37, Wheelock "A" up 2½ cents to 2.725, Hutchison also 2½ cents to 3.375, Jardine 20 cents to 15.40, China Light 10 cents to 21.30, Hong Kong Telephone 25 cents to 32.25, Hong Kong and Kowloon Wharf 10 cents to 15.20 and Hong Kong Dock 20 cents to 1.90.

TOKYO—Prices continued to decline, affected by the overnight fall on Wall Street and a sharp rise in the value of the Yen. The decline also was accelerated by Prime Minister Takeo Fukuda's statement that Japan's large trade surplus should be reduced. Volume 170m. shares.

Export-oriented Electricals, Motors and Precision Instruments were depressed by the appreciation of the yen, with Sony losing Y30 to 2,430, Pioneer Y70 to 1,610, TDK Electronics Y50 to 1,650 and Toyota Motor Y30 to 990.

AUSTRALIA—Mainly lower in quiet but erratic end of financial year trading.

BHP fell 8 cents to $A6.22 and CSR 12 cents to 3.30.

Utah lost 3 cents to 4.52, Queensland Mines 5 cents to 2.50, Kathleen 2 cents to 1.68 and Peko-Wallsend 12 cents to 5.64.

But Pancontinental moved up 60 cents to 12.00.

Indices

NEW YORK —DOW JONES

N.Y.S.E. ALL COMMON

June 28	June 27	June 24	June 23	1977 High	1977 Low
54.94	55.34	55.49	55.11	67.07 (4/1)	52.56 (31/5)

Rises and Falls	June 28
Issues Traded—1,874	Up—512
Down—920	Same—442
New Highs 98	New Lows 25

STANDARD AND POORS

MONTREAL

TORONTO

JOHANNESBURG

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
♦ DM50 denom. unless otherwise stated
♥ Ptas 500 denom. unless otherwise stated
♣ Kr 100 denom. unless otherwise stated
⊕ Frs.500 denom. unless otherwise stated
‖ Yen 50 denom. unless otherwise stated
‡ Price at time of suspension
a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross

OVERSEAS SHARE INFORMATION

Investment premium based on $2.60 per £—114¼% (112¼%)

NEW YORK

CANADA

GERMANY

AMSTERDAM

COPENHAGEN

VIENNA

TOKYO

Source Nikko Securities, Tokyo.

BRUSSELS/LUXEMBOURG

SWITZERLAND

MILAN

AUSTRALIA

PARIS

STOCKHOLM

OSLO

BRAZIL

JOHANNESBURG

MINES

INDUSTRIALS

SPAIN

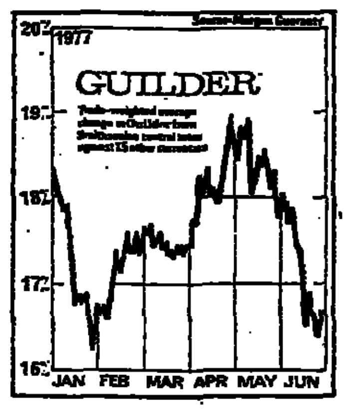
Dollar weaker

Speculation surrounding the U.S. economy had a further depressing effect on the dollar in yesterday's foreign exchange market, and most major currencies benefited from this current weakness. Both the West German mark and the Swiss franc showed an improvement at DM2.3390 from DM2.3545 and Sw.Frs. 2.4635 against Sw.Frs.2.4830 respectively. One of the biggest gains was made by the Japanese yen. Spurred on by a recently announced large trade surplus and more significantly by the absence of any support for the dollar by central banks, the yen finished at Y267.20 from Y270.85 on Tuesday.

Meanwhile the dollar's trade weighted average depreciation as calculated by Morgan Guaranty of New York, using noon rates, widened sharply to 1.42 per cent. from 1.03 per cent.

With the dollar allowed to slide, Sterling tended to ease in line, and its trade weighted index which is calculated by the Bank of England, showed a steady decline from an opening level of 61.5, the same as Tuesday's close, through 61.4 at noon to a final figure of 61.3. The Bank took an active part in the proceedings adding further to its foreign currency reserves which saw the pound up 7 points to $1.7208-1.7212 against the dollar, curiously its best level in that respect since September 1976.

Gold experienced a mostly inactive day, closing unchanged at $142¼-143 an ounce. The Krugerrand finished at $146¼-148¼ (£85-£86) for domestic and international delivery. Its premium over the gold content narrowed to 3.24 per cent. over the previous common close of 3.59 per cent.



SPECIAL DRAWING RIGHTS RATES

One SDR is equal to	June 27	June 24
Sterling	0.675708	0.675552
U.S. dollars	1.16242	1.16168
Belgian franc..	41.9198	41.9153
Deutschemark	2.73297	2.73506
French franc...	5.73567	5.73928
Italian lira	1028.54	1027.91
Japanese yen..	315.597	316.035
Dutch guilder.	2.89617	2.89607
Swedish krone	5.15417	
Swiss franc....	2.88805	2.89526

Values are for currencies against the SDR as calculated by the International Monetary Fund in Washington.

EXCHANGE CROSS-RATES

June 29	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Fr'nkf't ...	—	2.338-339	47.51-59	6.49-50	4.027-032	94.30-40	94.85-95
N. York* ...	42.46-48		20.27-29	2.759-762	1.7201-7204	40.03-05	40.26-27
Paris	210.06-56	4.9167-9287	—	13.638-670	8.464-484	197.88-36	199.58-72
Brussels ..	15.39-43	36.05-09	7.32-34	—	62.02-12	14.48-53	14.60-64
London	4.02¾-03¼	1.7208-12	8.46¼-47¼	62.00-15		4.27-28	4.27¾-28¾
Am'd'm ...	106.125-175	2.4852-57	50.47-52	6.8835-85	4.2715-65	—	100.685-735
Zurich.. ..	105.30-39	2.463-464	50.09-13	6.835-845	4.238-241	99.32-41	—

EURO-CURRENCY INTEREST RATES

GOLD MARKET

FOREIGN EXCHANGES

FORWARD RATES

OTHER MARKETS

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Renault back in profit

BY ROBERT MAUTHNER

PARIS, June 29.

RENAULT, the French state-owned motor-car company, to-day announced officially that it had made net profits of Frs.610.7m. (about £71m.) in 1976, compared with a Frs.551m. loss the previous year.

As announced previously, 1976 was a record production year, during which 1.66m. passenger cars and small vans rolled off the Renault conveyor belts and the "Regie's" sales before tax jumped by 41 per cent. to Frs.25.7bn. Group turnover before tax rose to Frs.44.6bn. from Frs.33.5bn. in 1975.

Gross cash flow last year amounted to Frs.1.774bn., compared with only Frs.521m. in 1975, of which about Frs.1bn. was accounted for by depreciation and Frs.150m. by provisions. Renault paid the state Frs.126m. in the form of remuneration for past capital increases, roughly equivalent to the dividend payments of private companies.

Investments last year totalled Frs.1.76bn. If this sum was substantially less than the Frs.2.15bn. invested in 1975 it was mainly because in the latter year the company sank Frs.450m. into the purchase of Berliet, formerly the heavy lorry division of Citroen.

In 1977, according to the chairman, M. Bernard Vernier-Palliez, investments should again exceed Frs.2bn., in line with the average annual increase over the past few years of 8 per cent.

The company has an ambitious investment programme for the five-year period from 1977 to 1981 during which its investments are projected to total Frs.21bn., with Frs.13.5bn. in the motor-car division and Frs.5bn. in the heavy vehicle sector.

The medium-term investment programme is based on a forecast of consolidated sales of Frs. 70bn. in 1981 in constant 1977 Francs and if this target is attained, Renault should be able to achieve a self-financing rate of 80 per cent., M. Vernier-Palliez said.

The company's performance in the first half of 1977 was, at least as far as passenger cars are concerned, more favourable than expected. Production of passenger cars rose by 7 per cent. during the first five months and Renault increased its domestic market share to 35.4 per cent. in May, compared with 33.6 per cent. the previous year.

Exports, which accounted for as much as 56.4 per cent. of total sales last year, were also higher than expected, rising by 11.7 per cent. during the first five months. Renault thus retained its place as the biggest car exporter within the EEC and M. Vernier-Palliez said that the number of vehicles exported could top the 1m. mark for the first time in 1977.

Nevertheless, prospects for the coming months were not as good as they had been during the first half of this year. Demand had begun to fall off in May and the abnormally high level of second-hand car stocks were a bad augury for the future. Nor was the situation in the heavy truck sector very bright.

Hexalon property issue over subscribed

By Michael van Os

AMSTERDAM, June 29.

HEXALON REAL Estate, the Dutch company which will invest in high-quality U.S. property, has got away to a good start in stock market terms. A share issue of the company, which is based in Rotterdam and in Wilmington, Delaware, was to-day reported to have been over-subscribed.

Pakhoed, whose property subsidiary Blauwhoed is a leading partner in Hexalon Real Estate Inc., said in Rotterdam that a reduction has to be made to the subscriptions to 20,000 Ordinary shares (worth a total of Fl.20m.) and to 115,200 options on shares (worth Fl.144m.).

While small private investors put up Fl.20m., the options have all been taken up by the large shareholders Blauwhoed, Ago Insurance, Unilever's "Progress" Pension Fund, The Centre Insurance Company and Robeco, the Dutch-based investment complex.

It was added that Hexalon has already started negotiations to obtain projects with the aid of its U.S. property consultants. As reported on April 22, the new operation could have a portfolio worth around Fls.500m. to invest in "high-quality, income-producing U.S. property."

Final moves in Avis bid

NORTON SIMON has taken the final steps in its take-over bid for Avis, reports our New York staff. The diversified food and drink conglomerate announced that it has begun its tender offer for the remaining outstanding shares of Common stock of Avis for $22 per share.

The offer is slated to expire on July 20 unless extended. The Board of Avis yesterday approved the offer and urged shareholders to accept the Norton Simon bid.

Earlier in the week Norton Simon finalised the purchase of International Telephone and Telegraph's 3.7m. Avis shares held in Escrow by a court-appointed trustee. These shares, representing 47 per cent. of outstanding Avis stock, were also purchased for $22 per share.

SWEDISH COMPANIES

Bofors cuts forecast

BY WILLIAM DULLFORCE

STOCKHOLM, June 28.

BOFORS, the armaments, steel and chemicals concern, is the latest Swedish company to cut back its earnings forecast for 1977. In the final 1976 report in April the management foresaw an improvement on last year's earnings of Kr.114.9m. In a communique released yesterday, it says it no longer expects to maintain the 1976 profit level.

Development in some group units has been poorer than anticipated at the beginning of the year, it is stated. In particular, the inflow of new orders to the steel work, the Nohab diesel engine, turbine and locomotive company and the Uva grinding machinery company have been considerably lower than expected.

The total order intake during the first five months was nevertheless a healthy Kr.1.26bn. (£168m.) or nearly Kr.400m. more than in the corresponding period of 1976. The bulk of these orders was for defence equipment. Sales during the first five months totalled Kr.760m. against Kr.650m.

Atlas Copco redundancies

ATLAS COPCO, the compressed air equipment group, yesterday gave redundancy notices to 400 employees at its Swedish plants. The action comes after preliminary negotiations with the trade unions following the management's warning on June 17 that it would have to cut staff by 450.

The reasons given then were the high Swedish cost level which was depressing earnings in the group's Swedish plants, the recession in the mining industry and "excess" stocks of unsold goods valued at Kr.150m.

The redundancies would affect some 210 white-collar and 190 blue-collar workers. The unions hope to soften the impact by negotiating early pensioning or part-pensions for some workers.

LKAB need for capital

LKAB, THE SWEDISH State-owned iron mining company will need a share capital injection of "a couple of hundred million kronor (£27m.)" to see it through the present recession, according to Mr. Sven Johansson, its managing director.

Declining ore prices and reduced demand from West European steelmakers are expected to result in a loss of Kr.355m. this year. At the same time the company is in the middle of its largest ever investment programme, calling for spending of some Kr.1.5bn. and has unsold ore stocks valued at close to Kr. 1bn.

LKAB had expected to sell 25m. tons of ore in 1977 but deliveries are now unlikely to exceed 20.5m. tons. If the growth trend prevailing during the first four years of this decade had continued, it would have been selling 34-35m. tons this year.

The request for more share capital was made when Mr. Nils Aasling, the Minister of Industry, visited the North Sweden mines yesterday. He commented that LKAB's situation was by no means catastrophic, even if the company were operating at a loss for the first time.

Dividend cut from Energie-Valor

THE INVESTMENT fund Energie-Valor, administered by the Credit Suisse affiliate Societe Internationale de Placements, Basle, is to pay a lower dividend, of Sw.Frs.2 per certificate for the year ended May 31, compared with Sw.Frs.2.20 for 1975-76. The fund, which specialises in power-company shares, experienced falling interest rates and declining stock-dividend receipts for the year, but its assets increased 1.3 per cent. to Sw.Frs.33.6m. (Sw.Frs.33.2m.) due to good stock-exchange conditions and a stabilisation of major currencies against the Swiss franc. Certificate circulation fell off 7.1 per cent. to 407,335 units.

Another fund administered by the Basle company, the Canadian share specialist Canasec, is to pay an unchanged Sw.Frs.18 per certificate for the same financial year.

NK-Aahlen cuts forecast

BY OUR NORDIC CORRESPONDENT

STOCKHOLM, June 29.

NK-AAHLEN, the Swedish retailing concern formed last year from the merger of NK and Aahlen och Holm, has cut its earnings forecast for the year ending October 31 after a poorer sales development than anticipated during the first half year. It now expects to make a loss of 5560m. kronor (£7.3-8m.) compared with a combined profit of 43.6m. kronor in 1975-76.

The costs of the merger will contribute around 50m. kronor of this loss but the cutback in sales is also depressing earnings. Net sales are now forecast to rise by 10 per cent. from last year's 6.5bn. kronor (£900m.) or 2-3 per cent. less than budgeted.

Mr. Rune Hoglund, the managing director, calculates that each one per cent. shortfall from the sales target will entail a decline of about 30m. kronor in earnings.

Political pact over Montedis[on]

By Paul Betts

Rome, June [...]

ITALY'S POLITICAL pa[...] appear to have reached a[...] ment over the future of [...] controversial Milan - b[...] chemicals conglome[...] *Montedison*.

The troubled mixed s[...] private group has been at [...] centre of a fierce political [...] this year with the r[...] Christian Democrats fighti[...] maintain the company's "[...] vate" nature which the po[...] ful Communists regard [...] "fiction."

Montedison, in effect, [...] accumulated debts tota[...] some L.2,800bn, mainly [...] the state sector ban[...] system, while the S[...] through the national en[...] group, ENI, is one of its [...] shareholders. The state [...] group also holds a 3.6 per [...] interest in Montedison.

Although the Commu[...] Party has called for the set[...] up of a new holding com[...] to group together all [...] shareholdings in Montedi[...] it has now seemingly [...] agreed to group these sh[...] holdings in a new ENI fi[...] cial holding company.

This new company is [...] expected to have wider [...] ordinating powers over [...] whole chemical industry.

However, there are still [...] culties over the appointmen[...] a successor to Sig. Euge[...] Cefis, the chairman of Mo[...] dison, who announced his [...] sion to resign last April.

While Montedison's pri[...] shareholders are pressing [...] the appointment of [...] Alberto Grandi, curre[...] Montedison vice-chairman, [...] Christian Democrat Party [...] understood to be suppor[...] the nomination of [...] Leopoldo Medugno, the ch[...] man of the Banco Di Roma

DOMESTIC BONDS

France taps Japanese market

BY JEFFREY BROWN

FRANCE IS to raise Y20bn. or almost £43m. on the Japanese capital market to become the largest foreign borrower so far of Yen denominated debt.

The loan is the third foreign funding from European sources, and it underlines the increasing *emphasis that the Japanese* authorities are currently giving to the "internationalism" of the Yen. Denmark raised Y10bn. last November while Finland tapped the market (for a similar amount) in May this year.

The Japanese Government continues to regulate firmly the market in foreign debt. At present the funding timetable for the outsider appears to be one sizeable offering per month. Ireland will borrow Y15bn. at the end of July to be followed by the World Bank sometime in August.

The present loan is being made through the Banque Francaise du Commerce Exterieur and is guaranteed by the French Government. It is a 12-year offering carrying a coupon of 7.6 per cent. and will be priced at par. Subscriptions open to-morrow and the lead manager is Nomura Securities.

The Japanese capital market is likely to continue to expand its overseas connections. It boasts the second cheapest rates of interest in the world (after Germany) and the Yen continues to strengthen on foreign exchange markets.

Last month's Finnish loan carried a coupon of 7.8 per c[ent.] while that from Denmark [...] months ago paid a nominal [in]terest of 9 per cent. The for[eign] exchange arguments may be forceful where borrowers [...] a weak currency base, like [the] U.K. and Ireland, are concer[ned] but they plainly weigh fav[our]ably in hard currency areas.

● The Ile-de-France r[...] is planning a Frs.300m. 15-[year] bond issue next week, rep[orts] Reuter. The coupon is to [be] 11.3 per cent.

SELECTED EURODOLLAR BOND PRICES
MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 9½pc 1989	100½	101½
Australia 8½pc 1992	100¼	100¾
Australian M & S 9½pc 1992	100½	101½
Bowater 9½pc 1992	102	102½
Cand. N. Rwy. 8½pc 1986	101	101½
Credit National 8½pc 1986	99	99½
Denmark 8½pc 1984	101½	102¼
ECS 9pc 1995	107½	102
EIB 9½pc 1992	100½	101
EMI 9½pc 1989	101½	102½
Ericsson 8½pc 1989	100½	101
Esso 8pc 1986 Nov.	104	104½
Gt. Lakes Paper 8½pc 1984	100½	101
Hamersley 9½pc 1992	103½	104½
ICI 8½pc 1987	99½	100½
ISE Canada 9½pc 1986	103½	104½
Macmillan Bloedel 9pc '92	101	101½
Massey Ferguson 9½pc '91	104½	105
Michelin 9½pc 1988	103½	104
Midland Int. Fin. 8½pc '86	101½	102½
Nat. Westminster 9pc 1986	105	103½
Newfoundland 9pc 1989	102½	101½
Norges Kom. Bk. 8½pc '92	95½	99½
Norpipe 8½pc 1989	100½	101½
Norsk Hydro 8½pc 1992	99	99½
Oslo 9pc 1988	102½	103½
Ports Autonomes 9pc 1991	100½	101½
Prov. Saskatch. 8½pc 1986	102	102½
Quebec Hydro 8½pc 1986	100	100½
Reed Intnl. 9pc 1987	101	101½
Skand. Enskilda 9pc 1991	101½	102½
SKF 8pc 1987	98	98½
Sweden (Kngdm.) 8½pc 1987	98½	99½
United Biscuits 9pc 1989	101½	102½
Volvo 8pc 1987 March	97½	98

STRAIGHTS (continued)	Bid	Offer
General Electric 4¼pc 1987	91	93
Gillette 4½pc 1987	80	82
Gould 5pc 1987	119½	120½
Gulf and Western 5pc 1988	96	98
Harris 5pc 1992	122	124
Honeywell 6pc 1986	91	94
ITT 4½pc 1987	85½	87½
Komatsu 7½pc 1990	105½	107½
J. Ray McDermott 4¾pc '87	169	171
Mitsubishi Elec 7½pc 1991	125½	126½
Mitsui 7½pc 1990	107	108
J. P. Morgan 4¾pc 1987	102	104
Nabisco 5½pc 1988	103	105
Owens Illinois 4½pc 1987	121	123
J. C. Penney 4½pc 1987	79	81
Pioneer 6½pc 1989	287	—
Raymond 8½pc 1983	150½	152½
Revlon 4½pc 1987	107	109
Reynolds Metals 5pc 1988	86½	89½
Sperry Rand 4¼pc 1987	86½	88½
Squibb 4¼pc 1987	82	84
Texaco 4½pc 1988	82	84
Toshiba 6½pc 1990	108½	110½
Union Carbide 4½pc 1982	103	105
Warner Lambert 4½pc 1987	85	87
Warner Lambert 4½pc 1988	79½	81½
Xerox 5pc 1988	81½	83½

Source: Kidder, Peabody Securities.

NOTES	Bid	Offer
Australia 8½pc 1983	101	103½
Bell Canada 7¾pc 1987	100½	101
Brit. Columbia Hydro 7¾pc 1985	97½	98½
Canad. Pac. 8½pc 1984	100	100½
Dow Chemical 8pc 1986	103½	104
ECS 7¾pc 1982	98½	99
EEC 7¾pc 1982	98½	99
EEC 7¾pc 1984	97½	97½
Enso Gutzeit 8½pc 1984	98	98½
Gotaverken 8pc 1982	100½	101½
Kockums 8pc 1983	100½	101½
Michelin 8½pc 1983	101½	102
Montreal Urban 8½pc 1981	101½	101½
Nat. Coal Board 8½pc 1981	101½	102½
New Bruns. Prov. 8½pc 1983	102½	103½
New Zealand 8½pc 1986	101½	102
Nordic Inv. Bk. 7¾pc 1984	97	97½
Norway 7¾pc 1982	98	98½
Ontario Hydro 8pc 1987	99½	100½
Singer 8½pc 1982	102½	103½
Sth. of Scot. Elec. 8½pc '81	100½	101½
Sweden (Kngdm.) 7¾pc '82	98½	99½
Swedish State Co 7¾pc '82	98½	99½
Tenneco 7pc 1987	94½	94½
Volkswagen 7¾pc 1987	99½	99½

D. MARK BONDS	Bid	Offer
Austria 6½pc 1985	102½	103
BFCE 7pc 1987	100½	101½
Denmark 6¾pc 1983	100½	101½
EIB 6½pc 1984	101½	102½
ICI 7½pc 1986	107	107½
Kobe (City) 6½pc 1987	98	98½
Norsea Gas 7pc 1989	100½	101½
Norsk Hydro 6½pc 1989	95	95½
Norway 6½pc 1982	102	102½
Shell 6½pc 1989	102½	103½
Sweden 6½pc 1984	100	100½
Voest 6½pc 1989	98	98½
World Bank 6½pc 1987	98	98½

FLOATING RATE NOTES	Bid	Offer
Bank of Tokyo Holding '81 6½pc	100½	101½
BFCE 1983 6½pc	99½	99½
BNP 1983 6$\frac{1}{16}$pc	99½	99½
CCF 1983 7pc	100½	100½
CGMF 1984 6$\frac{15}{16}$pc	97½	97½
Creditanstalt 1981 7pc	100½	101
Credit Lyonnais 1982 6½pc	99½	100½
DG Bank 1982 6½pc	99½	99½
GZB 1988 6pc	97½	98½
Int. Westminster 1984 6pc	98½	98½
Lloyds 1983 7½pc	101½	101½
LTCB 1981 6½pc	99½	99½
Midland 1982 8pc	102½	102½
Midland 1987 6$\frac{9}{16}$pc	98	98½
OKB 1983 6½pc	99½	99½
SNCF 1985 6½pc	95	95½
Stand. & Chartd. 1984 6½pc	99½	99½
Wms. and Glyns 1984 6½pc	99½	100

Source: White Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4½pc '87	89	91
Ashland 5pc 1988	97	99
Beatrice Foods 4½pc 1992	98½	100½
Beatrice Foods 4½pc 1992	108½	110½
Borden 5pc 1992	108½	110
Broadway Hale 4½pc 1987	81½	83½
Canon Camera 7pc 1989	185	—
Carnation 4pc 1987	87½	89½
Chevron 5pc 1988	139	141
Dart 4¾pc 1987	81	83
Eastman Kodak 4½pc 1988	94	96
Economic Labs 4½pc 1987	81	83
Fed. Dept. Stores 4¾pc '85	98	100
Firestone 5pc 1988	89½	91½
Ford 5pc 1986	100	102
Ford 6pc 1988	89½	91½

VONTOBEL EUROBOND INDICES

14.5.74=100%

PRICE INDEX	28.6.77	21.6.77	AVERAGE YIELD	28.6.77	21.6.77
DM Bonds	106.07	105.92	DM Bonds	7.029	7.[...]
HFL Bonds & Notes	103.54	103.21	HFL Bonds & Notes	7.821	[...]
U.S. $ Strt. Bonds	103.05	102.93	U.S. $ Strt. Bonds	8.240	8.[...]

Mexican loan successful

BY FRANCIS GHILES

[illegible] $200m. LOAN for the state-[illegible] Mexican development [illegible] Nacional Financiera has [illegible] increased to $400m., a figure [illegible] some bankers feel may not [illegible]. This loan, which is [illegible] managed by Libra Bank [illegible] Lloyds Bank International, is [illegible] a lot of support, not [illegible] because of the ingenious [illegible] in which it is structured.

[illegible] maturity of the loan is ten [illegible] much longer than most of [illegible] funds Mexico has raised in [illegible] year on the Euromarkets. [illegible] Financiera has agreed [illegible] its debt, at the option [illegible] lending banks, every two [illegible] throughout the period. This [illegible] that the banks will effec-[illegible] have two year renewable [illegible] which in terms of their [illegible] sheet liquidity should [illegible] attractive.

[illegible] making this concession [illegible] Financiera will be [illegible] cheaper money than [illegible] be the case for a seven [illegible] loan. Indeed, the spread [illegible] Libor on the current loan is [illegible] per cent. for the first two [illegible] rising to 1⅜ per cent. for [illegible] following two, to 1½ per cent. [illegible] the following two and then [illegible] per cent. for the last two [illegible] of two years.

[illegible] incentive for the banks [illegible] at each option date is strong and a further sweetener is offered in the form of a renewal fee of ¼ per cent. at the end of the first period.

Banks which do not wish to renew will simply have to inform the agent bank which will be under no obligation to reveal the name of the bank to the borrower. Clearly the lead managers and the borrower believe that the banks will renew; and the success of the loan so far suggests they have good reason to be confident.

Assuming the initital renewal at the end of the first period, the effective margin the borrower will have paid will compare favourably with what other Mexican agencies have been paying on seven year loans.

If the banks renew the loan continually, Nacional Financiera will have raised money more cheaply and for a longer term than the market generally allows.

Another interesting feature of this loan is that it includes a Yen tranche which is being underwritten by Japanese banks, equivalent to $40m. (Y12bn.) and which will be placed separately in the Japanese domestic market. This is similar to the Yen tranche on the recent Brazilian Banco Nacional de Desenvolvimiento loan and confirms the move by Japanese banks into using the Yen in international commercial transactions.

KRAFTWERK UNION

N-plant building worries

BY JONATHAN CARR KETTWIG, RUHR, June 29.

KRAFTWERK UNION (KWU), West Germany's leading power station building company, had its best ever year in 1976. But the current domestic situation, marked by fierce debate over nuclear power and apparently contradictory court decisions on building permission, give KWU cause for deep concern about its future.

The executive Board chairman, Dr. Klaus Barthelt, bluntly warned at the annual Press conference that further delay could threaten the existence of the nuclear power station building branch, and severely affect the many other industrial sectors which keep it supplied.

The warning gains greater force in view of a decision last week-end by the Federal central committee of the Free Democrats (FDP)—the junior partner in the Bonn coalition Government. It said that a moratorium should be placed on further nuclear power station construction until the problem of nuclear waste disposal had been sorted out.

This decision does not mean that the Government itself, firmly committed to nuclear power as part of its overall energy programme, will have to change course—yet. But it does mean the Cabinet will be hard put to hold to its view in the face of increasingly vigorous opposition from the grass roots—in the Social Democrat Party as well as the FDP.

All this hits hard at KWU, which has at last broken through to profitability after the lean years since its foundation in 1969, as a join Siemens-AEG Telefunken enterprise. (Since the start of this year it has been wholly owned by Siemens.)

Last year KWU made net profits of DM40.7m. after a loss of DM40.5m. in 1975 on turnover up to DM4.7bn. from DM1.46bn. The order intake last year looks particularly impressive at DM12.1bn. against DM8.4bn. in 1975. But the 1976 figure includes widely-publicised major deals with Iran and Brazil, for which agreements were signed in previous years but which are only now showing up in the order figures. Without these two major foreign deals, the 1976 order intake would have totalled DM2.4bn.

The order intake last year looks particularly impressive at DM12.1bn. against DM8.4bn. in 1975. But the 1976 figure includes widely publicised major deals with Iran and Brazil, for which agreements were signed in previous years . . .

As KWU points out, it is one thing to receive orders—quite another to be allowed to fulfil them. Since the oil crisis of 1973-74 the company has received orders for 10 nuclear power stations in West Germany, but construction work is at present going ahead on only three. For the other seven KWU is awaiting permission to build, but fears that if and when this comes the sites may be occupied by anti-nuclear "citizens' intiatives" as has already happened, for example, at Wyhl, Baden-Wuerttemberg.

KWU seeks to underline the seriousness of the position with the following figures:—

On its domestic nuclear power orders representing a total capacity of 12,000 MW there is now an accumulated delay of 16 years (an average delay of 1.6 years per power station).

The government's latest energy proposals hold that an increase in nuclear capacity to 30,000 MW in 1985 will be essential if annual real growth of 4 per cent. in GNP is to be achieved. This target would be missed by more than 10,000 MW if growth in nuclear power were restricted by moratorium to those installations already approved and under construction.

KWU maintains that the greatest conceivable extension of conventional power stations (in which, of course, the company also has an interest) could not cover the deficit. The upshot would be less growth and more unemployment — one figure quoted by the Government suggesting an unemployment quota of more than 8 per cent. would result.

Little wonder that KWU looks benignly on export business — though even here it says its chances may well be limited in the long run if the feared moratorium at home becomes a reality.

Two KWU nuclear power stations are already in service (in Holland and Argentina). Seven others are under order (in Austria, Switzerland, Iran, Brazil and Spain). Work is going well on the two 1,300 Mw reactors being built in Iran and talks are underway with Teheran on the possibility of building two others in the Isfahan area. No sum is being mentioned yet but the order for the first two was worth about DM7bn. for plant and infrastructure.

KWU came particularly into the international spotlight through the DM12bn. deal with Brazil under which West Germany agreed to sell nuclear enrichment and reprocessing facilities as well as reactors.

In the face of U.S. criticism, Bonn has just agreed to ban the sale of "sensitive technology" abroad until further notice, although the Brazil deal will still go ahead. KWU says that in any case no other customer for enrichment and reprocessing was immediately available. Meanwhile it is pushing on with other South and Central American business. For example it has just gained a DM250m. order for Colombia for an oil-fired power station of 3Mw 66 blocks. It holds out little hope of breaking into the U.S. market and regretfully sees little opportunity in Eastern Europe either.

Finally, the company sources express relief that enriched uranium is flowing again from the major supplier, the U.S., after many months of delay for administrative and political reasons (the U.S. record is contrasted unfavourably in this respect with that of another big supplier, the Soviet Union).

But it is plain that KWU will be happier when the already encouraging European uranium enrichment efforts have gained sufficient ground significantly to reduce dependence on non-European suppliers.

Merck expecting higher prices

BY GUY HAWTIN FRANKFURT, June 29.

WEST GERMAN pharmaceuticals prices are likely to rise by between 2 and 2.8 per cent., according to Ernst Merck of Darmstadt, one of the country's leading pharmaceuticals concerns. This news will hardly be greeted with wild enthusiasm by the Government which is fighting to reduce rapidly rising health care costs.

Merck, which just a year ago successfully challenged a Federal Cartel Office order to lower prices prices on its vitamin B-12 products, said that it expects its own prices to go up by just under 2 per cent.

According to its management, Merck got off to a rather poor start this year in the ethical drugs sector. Pharmaceuticals business suffered a 2 per cent. fall in sales during the first five months of the year.

Similar declines, however, have been reported by other West German manufacturers, some of whom attributed the decline in sales to wholesalers and retailers cutting back stocks in anticipation of Government-imposed economy measures on the health services.

Overall, however, business seems to have continued upwards, despite a downward trend in the growth rate of chemicals sales. Turnover during the opening five months was up by 9 per cent. compared with 1976, but, cautiously, the management was not prepared to give any firm predictions about the likely performance during the year as a whole.

Last year, Merck saw sales rise by 12.6 per cent. from DM760.2m. to DM855.7m. (£211.3m.). Turnover in the pharmaceuticals sector rose from DM297.3m. to DM325.9m., while chemicals sales rose from DM392.8m. to DM460.4m. Sundry products, including pesticides and insecticides, contributed sales of DM69.4m., virtually unchanged from the previous year.

Consolidated world sales were 11.8 per cent. up from 1975's DM1.28bn. to DM1.43bn. (£352.3m.). Investment in 1976 totalled DM70m., down from the previous year's DM94.8m., but was expected to rise by 20 per cent. in 1977. Earnings improved substantially, but after boosting pension reserves by DM43.1m.—compared with only DM12m. the year before—net profits were unchanged at DM22.9m.

Eurofima profits rise

BY JOHN WICKS ZURICH, June 29.

PROFITS OF EUROFIMA, the Basle-based company for the financing of railway rolling stock, rose to Sw.Frs.16.7m. last year, from Sw.Frs.13.8m. the previous year, permitting payment of an unchanged maximum statutory dividend of 4 per cent. on increased share capital of Sw.Frs.500m. (Sw.Frs.300m.). Financing volume of the company, which is owned by European Railway Administrations, rose from Sw.Frs. 647m. to Sw.Frs.891m. over the year.

AUSTRIAN COMPANIES

OMV report higher sales and profit

BY PAUL LENDVAI VIENNA, June 29.

THE AUSTRIAN State oil corporation, OMV, is increasing its dividend from 7 per cent. to 9 per cent. on the Sch.1.5bn. capital. The company reports an increase of turnover from Sch. 19bn. to Sch.22bn. and a rise of the consolidated balance-sheet from Sch.17.9bn. to Sch.19.9bn. Net profit after tax and allocation to reserves totalled Sch.135m. against Sch.105m. last year, while the cash flow fell from Sch.2.8bn. in 1975 to Sch.2.53bn.

Presenting the report for 1976, director-general Ludwig Bauer spoke out in favour of new technologies and of nuclear energy and warned against exaggerated expectations with regard to energy savings. He stressed that the market for petroleum products in Austria was stagnating and stressed that with regard to the consumption of fuel oil, the company reckons with a drop in demand of 6.7 per cent. The rise of demand in 1976 was primarily in reaction to the drop which, however, will have in terms of comparative figures a negative effect in the second half of this year. This means that in terms of volume sales, this year will be stabilised at the level of 1975.

Investment this year should reach Sch.2.6bn. With regard to the ethylene cracker plant which will cost about Sch.2.5bn., the company's currently negotiating for the purchase of turbines.

With regard to purchase of oil, Director General Bauer revealed that the company concluded a five-year old contract with Iraq for delivery of 9.1m. tonnes of crude oil between 1977-1981, while simultaneously signing with Algeria a four-year contract for 1.2m. tonnes, which could be increased to 1.7m. tonnes in the period of 1976-79. The OMV also signed a contract with the Soviet Union for an extra delivery of 800m. cubic metres of natural gas this year.

Rights offer by Treibacher

TREIBACHER, AUSTRIAN chemical company, is increasing its capital by Sch.20m. to Sch.160m. through a one-for-seven rights issue at 225 per cent. The new shares rank for dividend as of January this year. The last capital increase took place in 1975.

Turnover in 1976 rose by one-third to Sch.2.1bn. Group turnover was up to Sch.2.6bn. The share of exports was maintained at 80 per cent. Investments were over Sch.100m. and were financed from the company's own resources. An unchanged dividend of 10 per cent. and an 8 per cent. bonus, the same as in 1975, is announced.

In order to strengthen the competitive position abroad both with regard to sales and purchases of raw materials, two new trade subsidiaries were set up: Treibacher Far East Ltd., in Singapore, and Treibacher U.S.A. Corp., in New York. Both ventures have so far justified the Board's expectations.

Sales in the first quarter of 1977 were up by 20 per cent. on the same period last year. The order book situation indicates that the results this year are likely to be as positive as those attained in 1976. Nevertheless the stormy expansion of the past few years will now be slowly replaced by what the Board calls "a phase of consolidation of the achievements."

Work on hand at LTA reaches R267m.

BY RICHARD ROLFE JOHANNESBURG, June 29.

LTA, the big construction group which handled much of the Cabora Bassa contract and in which Anglo-American group companies are the main shareholders, has raised pre-tax profits from R7.7m. to R7.9m. and entered the current year in what appears to be a relatively strong position, with uncompleted work on hand amounting to R267m. at March 31 compared with R224m. the previous March. In a period of generally slack conditions in the sectors where LTA operates this is a surprisingly high level of ongoing business.

After writing off R0.7m. of goodwill above the line and allowing for R0.4m. of minority interests in the profits, but with a sharp fall in preference dividends on conversion of the preference share capital into ordinary shares, LTA came out of last year with net earnings up from R4.9m. to R5.4m. But with fully diluted equity of 15.5m. shares, earnings per share are up only from 40c to 41c. The dividend has been held at 18.5c, and the shares, at 135c, yield 13.7 per cent., which is right in line with the sector average.

THE JOBS COLUMN

Tough task in Southwark—New chief for Ruberoid

BY MICHAEL DIXON

"THERE'S SURELY no objective reason why it can't be made to work," says Peter Challen, who might be called a professional idealist, and is currently in need of a manager with imagination as well as business experience. "But it's maddeningly hard going all the same."

"It" is the job creation project which is one of the responsibilities accumulated by Canon Challen, a Sloan Fellow of the London Business School, as part of his work as a chaplain with the South London Industrial Mission. The project has existed, sometimes precariously, for the past 15 months.

Now to judge by past experience, most readers are likely to react with a hollow laugh to the mention of job creation schemes. Although these are to be extended (under the new name: Special Temporary Employment Programme) now that the Cabinet has approved the Manpower Services Commission's new proposals for countering teenage unemployment, the schemes are widely viewed as a governmental device for organising youngsters to waste their time and the taxpayers' money for the main purpose of subtracting them from a few months from the unemployment statistics.

I think Peter Challen would agree that, in the case of many job creation projects, this image is deserved. But his reaction would not be a hollow laugh so much as a snort of impatience, because he believes that the schemes could be made to work so much better and to the lasting benefit not only of the community in which they are run, but also of the national economy.

"The tendency is to think that the schemes have to be continuously supported by Government money," he says, "but they shouldn't have to be like that. The public money needs to be seen as seeding capital for generating self-supporting business-type operations from the local resources, and by that I mean human assets as well as other kinds of capital."

Accordingly, when Elephant Jobs — the project of which Canon Challen is chairman — applied for funds from the Government's Job Creation Programme, it declared as one of its objectives that it would be self-supporting within a year. And the fact that it has so far failed by a long way to achieve the promised viability has attracted critical comment from the bureaucratic Manpower Services Commission.

"Of course that was a crazy, idealistic notion to have, especially when we were deliberately setting out to work with unmotivated youngsters," Peter Challen admits. "But if we were fools for not seeing that when we made the proposal, then one wonders whether the people in charge at the commission could have been any more wise in approving it."

Even so, while Elephant Jobs is still relying on a £186,000 Government grant plus about £14,000 from other sources to cover the wages of the 70 young participants and about half a dozen supervisors and administrators, it is producing revenue. As a result it no longer draws the extra 10 per cent allowance from the commission to cover the costs of materials and overheads.

There are five main revenue-earning activities. The largest number of youngsters is employed in house-repairing and decorating. This section cooperates with the woodworking shop, which makes doors and window frames as well as furniture. A third group produces leather goods, some of which have been sold to Harrods. The other two sections make table pottery, and jewellery.

Under its present chief executive, Bill Humphrey, the project has added a shop to its "factories" in premises lent by Sainsbury's in Southwark, just over half a mile south of the Thames. In addition, groups such as Shell and Unilever allow Elephant to set up stalls occasionally in their local offices.

At this stage, however, Mr. Humphrey had decided that it is time for him to return to more conventional management. "He's been coming here for the working week from his home in St. Helens in Lancashire, and has got some lovely roses there that need attention," Peter Challen says. "He won't leave us until we find his successor, but we'd like to help him by getting someone as soon as we can."

With day-to-day responsibility to the Canon, the new chief will join him on a Board which includes three representatives from each of two charitable settlements, a legal adviser, and three of the of the project supervisors. "We've started discussions with a view to having Board members elected by the youngsters taking part, rather than appointed by us," the chairman adds, "but we're not yet sure that we are ready for that kind of worker participation."

He sees the essentials for the job as business acumen, experience of managing people aged 16 to 25 (especially the unmotivated sort), and the confidence to represent the project's interests to the staff of the Manpower Services Commission. "To be honest, they're inclined to be a bit bound by bureaucratic rules, so we need to make them see that young people do not necessarily conform to their rules."

The immediate task for the newcomer is continuing Elephant's progress. "One of our successes is that of the 110 or so young people who have been with us to date, none has gone back off the project into the dole queue," Peter Challen claims, "and we have got to keep that up."

As for the long-term, the objective of becoming fully self-supporting, although postponed, has certainly not been cancelled. "The resources for generating viable operations are there," Canon Challen says. "For instance, there is a million square feet of empty work space in buildings just in the north part of Southwark. There's a lot of unemployed people. And there surely must be good ideas lying dormant here as well.

"The problem is basically how to seek out the various components and convert them so they co-operate in the entrepreneurial process of putting them all together. It's a very hard problem. I feel that there is almost an abundance of people who are keen to evaluate and analyse the problem of unemployment, but a dearth of people willing to commit themselves to developing new self-supporting operations. But I feel sure that it can be done, if we try hard enough."

Anyone inclined to join him in trying had, however, better realise that the maximum salary which the Job Creation Programme allows for the chief executive's job is [£4,800]. Because of this, the Elephant chairman is keen on the idea of recruiting someone on secondment from a fairly senior management post in a business concern. The project's sales activities were set up by a manager on secondment from RTZ.

Inquiries to Canon Challen at South London Industrial Mission, 27, Blackfriars Road, London SE1 8NY, or by telephone to 01-928 4707.

No committees

WHETHER I am right in estimating the salary for the next job at a minimum of [£22,000], I cannot be sure. But I do know that anyone who thinks that the way to run a group is to set up a network of committees, had better not bother applying.

That message came loud and clear yesterday from Thomas Kenny, chairman of the Ruberoid group, which is seeking a successor to Bill Irwin when he retires soon as the group's managing director. Moreover, Mr. Kenny's impatience with committees extends to a dislike of large Boards of executive directors, with the result that whoever succeeds Mr. Irwin will be the only executive member of Ruberoid's main Board.

The 1,600-employee group has a turnover of £30m.-plus in building products, construction contracting, paper and plastics. For 1976, it reported pre-tax profits of £733,849, compared with a depressed £430,736 in 1975.

"The subsidiaries have their separate marketing and accounts chiefs under their own managing directors," Mr. Kenny said. "And the person whom we recruit will pretty soon take charge by becoming chairman of each subsidiary.

"So we'll have to have someone who is already in full charge of a successful large business concern. We'd like previous experience of our area of industry, of course, but provided applicants are good general managers in some manufacturing business, we'll consider them." Likely age range 38-44. Negotiable perks will include a car.

Outline applications in writing to Mr. Irwin (whose initials are D. L.) at 1, New Oxford Street, London WC1A 1PE.

Computer field

A QUALIFIED accountant is wanted by consultant David Mason-Johns, of Laurie and Co., to take charge of financial control and management accounting in a manufacturing company within the [illegible] over Computer Work[illegible] group. Responsibility [illegible] Board will also cover all export procedures. [illegible] Hitchin, Hertfordshire.

The age range quoted and previous experience in computer manufacturing ness would be preferred. [illegible] level is about £6,000. [illegible]

Outline applications to Mason-Johns at 145 [illegible] Street, London, W.1; or phone to 01-734 6111; telex to 28386.

Finance head

ANOTHER qualified accountant is being sought by the [illegible] signal and Executive [illegible] ment agency to become officer of the Lond[illegible] Institution of Productio[illegible] neers, which has more than 20,000 members in the U[illegible] abroad, and operates 12 regional offices.

The recruit will be four executive staff, a[illegible] be responsible for all t[illegible] aspects of the institution operations are guided [illegible] policy Boards. Annual [illegible] is around £400,000. Pr[illegible] age 40-50; experience in [illegible] body an advantage. [illegible] around £5,500.

Telephone inquiries to Judith Wood on 01-2[illegible] extension 238.

Economist
International Bank

Our client is an international bank expanding fast in three continents. The current requirement is for one or more economists, to monitor, tabulate and analyse developments in the Euromarkets and in Middle East banking and finance.

To be eligible you should be well educated, literate and experienced in the practical aspects of banking and money matters. Research experience, preferably financial, will be useful. There is much scope for initiative in analysis and for innovation in the presentation of facts.

Salary depends on academic record and experience and will range between £5,000 and £6,000 p.a. (plus generous fringe benefits) but could be higher for particularly well qualified people.

Please write, detailing how you answer the specification to Ivan Cann, Foster Turner & Benson Ltd, Chancery House, Chancery Lane, WC2A 1QU, marking your letters CB. All replies will be forwarded unopened to our client. Please mention any companies to whom your application should not be sent.

Foster Turner & Benson
Recruitment Advertising

Corporate Planner

The Group Planning Department of John Laing & Son Limited is looking for an additional member to join a small team involved in economic appraisal, policy planning, project evaluation and market research.

The activities of the Group cover all types of construction, the manufacture of building products and property development, both in the UK and abroad.

The person we are looking for should have the confidence and capacity to co-operate successfully with senior operational management in such areas as market investigation and project appraisals. He or she is likely to be in the mid to late twenties, a graduate, preferably with an economics background but evidence of an orderly and intelligent approach to business problems and the ability to write clearly and concisely is more important than the subject matter of the degree.

An attractive salary package will be offered to the right person. If you think you satisfy the above requirements, please write to:

M. Fowler, Personnel Manager
Group Personnel Services
John Laing and Son Limited
Page Street, Mill Hill, London NW7 2ER.

LAING

Graduate Opportunity
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We have an opportunity for a young woman or man, who has recently graduated, to train as a Foreign Exchange Dealer.

You must possess a high degree of numeracy and be fluent in one or more foreign languages.

In addition to a competitive salary, fringe benefits will include L.V.'s of 50p per day, House mortgage assistance, contributory Pension Scheme and free Life Assurance cover.

Please write giving full but concise details of experience and career to date, to:-

J. A. Newman, Assistant Staff Manager,
Kleinwort, Benson Ltd, 20 Fenchurch Street, London EC3P 3DB.

KLEINWORT, BENSON
Merchant Bankers

Investment Banking Executive

Hill Samuel & Co Limited require an Executive for their Investment Banking Division, to assist in the development of its merger and acquisition business in the UK and overseas.

The Executive will join a small team whose objective is to initiate mergers and acquisitions by locating and matching companies and by acquisition research on behalf of clients.

The successful candidate, who may well be working in the research department of a firm of stockbrokers, should have had considerable research experience relating to both European and UK companies. Applicants must demonstrate that they have original ideas, and an analytical mind. Ideally, they should be under 30 and a knowledge of some German or French would be an advantage.

Please send full career details to:—
R C G Gardner
Personnel Manager
Hill Samuel & Co Limited
100 Wood Street
London EC2P 2AJ.

HS

ASTLEY & PEARCE
Dublin

Require a Foreign Exchange Broker, aged 20-30, with Dealing or Broking experience. Salary negotiable.

Please write in confidence to:
The Managing Director,
Astley & Pearce Ltd.,
20 St. Swithins Lane,
London EC4N 8EN
01-626 2486

INTERNATIONAL FOREIGN EXCHANGE AND CURRENCY DEPOSIT BROKERS

Require Experienced and Trainee Staff for their London Office.
Please write Box A.6002,
Financial Times,
10, Cannon Street, EC4P 4BY.

Corporate Tax Manager
London £ open

The principal responsibility is to manage the corporate tax affairs of a major public company with a turnover of over £500m., a third of which is earned overseas. The business activities are diverse, and it therefore calls for an intelligent, intensely practical approach to the commercial and technical problems which UK and international tax laws impose.

We are therefore looking for a person with over 10 years' experience in corporate tax, which ideally includes property taxation.

The salary package is negotiable and will be attractive to the most experienced and competent tax specialists. It will include a company car and other excellent fringe benefits.

Applications, which will be treated in strict confidence, should contain relevant details of career and salary progression, age, education and qualifications. Please write to Dr. I. Bowers (ref. 622/B),

Deloitte, Haskins & Sells, Management Consultants,
P.O. Box 207, 128 Queen Victoria Street, London EC4P 4JX.

CREDIT ANALYSIS

A major London-based Merchant Bank wishes to fill the following positions within Credit Department:

CREDIT SUPERVISOR — responsible for the supervision and training of alysts in the Bank's Credit Department. The responsibilities include review of the ank's loan portfolio, analysis of new business propositions, production of Information emoranda for syndicated Eurocurrency loans and preparation of country economic ports.

Candidates, male or female, should have not less than three years' experience of urocurrency credits with specific reference to analysis of corporate credits. A knowledge Spanish and Portuguese, whilst not essential, would be advantageous.

CREDIT ANALYST — to work with a small team of analysts concentrating imarily on the evaluation of corporate lending proposals.

Candidates, male or female, should have a minimum of two years' experience of edit Analysis, preferably including a formal credit training programme with an nerican bank.

For both positions an attractive salary and fringe benefits are offered. Please submit rriculum vitae to Box No. RD. 4155 c/o Extel Advertising & PR Services Ltd., Pember- n House, East Harding Street, London, E.C.4.

TAX PLANNING— PARTNERSHIP

London W.1. from around £8,000

A progressive specialist partnership seeks a young accountant to strengthen the staff advising personal clients on financial matters, including tax planning, investment management and giving general financial advice. Salary is widely negotiable according to candidates seniority and experience.

Candidates should be Chartered Accountants, aged 25-29 with exposure to tax before qualifying and concentrated recent UK personal tax experience. The intention is that the person appointed should be capable of becoming a partner within a year or two; the prospect of partnership is enhanced by the firm's recent and forecast growth.

For a fuller job description, candidates should write to A. R. D. MacDonell, at John Courtis and Partners Ltd., Executive Selection Consultants, 78 Wigmore Street, London W1H 9DQ, stating briefly but explicitly their relevance and quoting reference 519/FT.

JC&P

Executive Search
c.£12,500

One of Britain's leading executive search operations is expanding, both within the UK and internationally, and needs at least one additional consultant to help achieve this growth.

A successful background in senior functional or general management is essential, as is experience of organisation planning and executive resourcing. There is a preference for candidates from large scale manufacturing/engineering companies, ideally those working on a multinational basis. Preferred age c40.

The reward package is flexible and an exceptional man/woman could expect to achieve substantially over the figure quoted above. Base location Central London.

Please write, in confidence, with basic personal and career details, to Ivan V. Cann, Foster Turner & Benson, Recruitment Advertising, Chancery House, Chancery Lane, London WC2A 1QU. Please mention any companies to whom your application should not be sent.

Foster Turner & Benson
Recruitment Advertising

Jonathan Wren Banking Appointments

The personnel consultancy dealing exclusively with the banking profession.

The following are among our wide range of current banking vacancies:

LOAN SYNDICATIONS	£10,000+	DOC. CREDIT MANAGER	c. £7,500
LENDING OFFICER Oil/ (Shipping Specialization)	c.£9,000	DOC. CREDIT SUPERVISOR	c. £6,000
		F.X. DEALER	c. £6,500
CREDIT ANALYST	c. £7,000	CHIEF ACCOUNTANT (A.C.A.)	c. £7,000
A.C.A. (CORPORATE FINANCE)	c. £5,000	MANAGEMENT ACCOUNTANT (A.C.A.)	c. £6,000
LOAN ADMINISTRATION	c. £4,000	ACCOUNTS ASSISTANT	£3,500+
FOREIGN SECURITIES	to £3,000	AUDITOR	c. £4,500

For further details, please contact KENNETH ANDERSON *Director*

Jonathan Wren & Co Ltd. 170 Bishopsgate, London EC2M 4LX 01-623 1266

INVESTMENT ANALYST
ELECTRICALS/ELECTRONICS

Joseph Sebag & Co. has a vacancy in its Research Department for an analyst to take charge of the Electricals and Electronics sectors. The essential requirements are a university degree or professional qualification. Candidates should either have experience of investment analysis gained in the City or be employed in the industry on analytical/financial works they should be able to express themselves concisely and persuasively both on paper and personally. The work will involve frequent contacts with top industrial management and discussion of conclusions with institutional clients.

In addition to a number of valuable fringe benefits, the salary to be paid will depend on age and experience but will be fully competitive.

Please reply, giving a brief C.V., to P. Meredith, Joseph Sebag & Co., 3 Queen Victoria Street, London, E.C.4.

Investment Analyst

Applications are invited from men and women between 22 and 28 years of age to join a small department in the City dealing with the investment of the Philips and Pye Staff Pension Funds.

The job is to carry out a continuous reviewing programme of the portfolio of Ordinary Shares and to formulate and execute ideas for new investment.

A degree or equivalent qualification would be an advantage, some related work experience is necessary.

Salary will be commensurate with age and experience and is combined with annual bonus, over four weeks holiday and excellent conditions of employment.

Please telephone for an application form or write with brief details to Personnel Department, Philips Industries, 11/12 Hanover Square, London W1A 4QP, tel. 01-499 9555.

PHILIPS

Group Financial Director

West of England c. £12,000 + car

For an expanding public company, a leader in the manufacture of specialist textiles, based in a pleasant, rural area. The group has subsidiaries in the United Kingdom, Ireland and North America.

This new appointment to improve financial planning and management reporting procedures arises from the company's expansion.

The group financial director; who must be strongly self-motivating, will be responsible to the managing director for the preparation of long term financial plans, budgets, management reports and the control of the accounting and secretarial departments.

Candidates, must be qualified accountants, preferably experienced in industry and with a practical knowledge of acquisitions.

Write in confidence, quoting reference 3301/L to: N. C. Griffin,

Peat, Marwick, Mitchell & Co.,
Management Consultants,
11 Ironmonger Lane,
London, EC1V 8AX.

BICC
Group Accounting

Central London Salary c. £6,500

Following a reorganisation of the Group Head Office Finance Function, a qualified accountant is required to join the Group Accountant's Department which is primarily responsible for the operation and improvement of group budgeting and management accounting systems, preparation of group published accounts and for monitoring and advising group companies on compliance with Accounting Standards and Stock Exchange requirements.

Suitable candidates will be qualified accountants with experience of either the consolidation of accounts for an international group of companies or the operation of group management accounting systems.

Conditions of service are consistent with those of a major international group and include performance related bonus additional to basic salary and 24 days holiday. Assistance with re-location expenses is available.

Applicants are invited to write giving details of age, qualifications and experience to:-

Mr C. Garnett
Personnel Manager,
BICC Ltd.,
21 Bloomsbury Street,
London WC1B 3QN.

BICC

APPOINTMENTS ADVERTISING RATE £11.50 PER SINGLE COLUMN CENTIMETRE

FIELDING, NEWSON-SMITH & CO.
FINANCIAL ANALYST

We have a vacancy for an additional specialist in our banks and insurance section, to take on responsibility for analysis and company contact. The successful applicant will have at least two years' City experience and would preferably have mathematical or actuarial qualifications.

Initial remuneration would be according to age and experience.

Applications should be sent to the Managing Partner, Fielding, Newson-Smith & Co., 31 Gresham Street, London EC2V 7DX.

STOCKBROKERS

Charles Stanley & Co. require:—

A JUNIOR ANALYST

to join the team advising Bank Branches, Solicitors, private clients, etc. Training will be given, but some knowledge of the market and previous similar experience will be helpful.

A RESEARCH ASSISTANT

to study U.K. and overseas markets and leading stocks, and to produce written material to a high standard. The successful applicant should preferably already have some experience in this field.

Write in strict confidence with a summary of your experience, etc., to D. H. S. Howard, Charles Stanley & Co., 18, Finsbury Circus, London, E.C.2.

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The publishers of The Review, the leading international insurance journal require an editor to work with the managing editor. The function of the editor will be to control all aspects of editorial production and also to generate news and technical insurance copy. Financial journalistic experience would be advantageous, preferred age 25-35. Salary by negotiation. Write in the first instance with career details to the Publishing Director,

United Trade Press Ltd.,
42/43 Gerrard Street, London W1V 7LP.

Chief Executive

The Commission for Racial Equality invites applications for the post of Chief Executive to be based in its headquarters office in London.

The main functions of the Commission, which has been set up under the Race Relations Act 1976, include working towards the elimination of racial discrimination and promoting equality of opportunity and good relations between persons of different racial groups. It has a staff complement of over 200 and operates in three divisions, each headed by a Director. The Chief Executive, as leader of the Management team, will be responsible to the Chairman for all aspects of the work of the staff of the Commission, and will advise and assist the Commission in the development and execution of its policy.

Candidates must be of proven administrative ability; knowledge and experience of race relations are also desirable.

Salary: £12,000 p.a. plus supplement of £4 per week. London Weighting of £465 per annum is also payable. Conditions of service, including a non-contributory pension scheme, will be analogous to those of the Civil Service.

Applications, accompanied by personal particulars, details of qualifications and work experience, and the names and addresses of two referees, should reach The Secretary, Commission for Racial Equality, 15-16 Bedford Street, London WC2E 9HX, marked 'Chief Executive—Confidential,' not later than 16 July 1977.

COMMISSION FOR RACIAL EQUALITY

SHEPPARDS AND CHASE
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We are looking for able analysts to join our research team. Ideal candidates would be:—

(1) in their mid twenties with at least two to three years useful experience.
(2) graduates in relevant subjects or have a professional qualification.
(3) able to communicate effectively both verbally and in writing.
(4) able to develop and present well thought out ideas in the following areas:

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Please reply to:—
Vernon Madge
Sheppards and Chase
Clements House
14-18 Gresham Street
LONDON EC2V 7AU

STOCKBROKERS
Two Senior Clerks

with at least 10 years general experience required by medium-sized London brokers. Salary basis £4,000-£5,000 per annum negotiable. Usual fringe benefits.

Apply in writing with full details of past career. Write Box 484, c/o Hanway House, Clark's Place, Bishopsgate, London, EC2N 4BJ.

EUROCURRENCY CREDIT ANALYSTS
c.£5000 — c.£9000

We have been asked to find a good, young Credit Analyst by three or four International Bank clients.

Although each Bank differs in size and "flavour," they are all firmly committed to a positive expansion programme and are therefore able to extend genuine career development opportunities.

In return, they are looking for genuine expertise in international Credit Analysis, based upon sound training and practical experience.

Starting salary will, naturally, reflect one's responsibilities and be augmented by the usual range of Banking fringe benefits.

To discuss these possibilities in detail:
Telephone John Chiverton, A.I.B. on 405 7711
DAVID WHITE ASSOCIATES LTD.

FINANCE/COMMERCIAL DIRECTOR

French subsidiary of U.K. Company (T/O F.Fr.35m) seeks man with wide business experience at senior management level.

Essential qualifications: Bilingual, financial background (FCA desirable but not essential). Knowledge of personnel administration and legal matters would be added advantage.

Please write for application form to Box A.6000, Financial Times, 10, Cannon Street, EC4P 4BY.

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For someone with *Banking* or *Stockbroking* experience this position provides plenty of scope for talented management—and a future that's highly rewarding. We're one of the top international Employment Agencies and our Banking and Stockbroking Staff Division is currently in need of a strong-minded and very able manager. Someone used to plenty of client contact, both direct and on the phone. Someone ambitious, independent and aged about 25-35. There's a very good salary with generous commission that will reflect the work you put in.
Call Mike Gilpin now on 437-9574 if you're interested.

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DEVELOPMENT BANKING OVERSEAS EXPERIENCE

English Chartered Accountant (35) with over ten years experience in Third World countries (African and Caribbean) and considerable development banking, project financing and related work experience is in need of a change. Presently holding a senior representational appointment abroad with a substantial UK financial organisation with an international reputation for effectiveness in commercial, industrial and agricultural fields. Available now for interview in London or elsewhere. *Write Box A.5988, Financial Times, 10, Cannon Street, EC4P 4BY.*

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Accountant

Seeks Financial, Costing or Systems Assignment in London. Min. 3 months. £4 per hour.

References available.

Write *Box A.6004, Financial Times, 10, Cannon Street, EC4P 4BY.*

FINANCE DIRECTOR, 47. Qualified, available July for investigations, receiverships, company surgery or loss-making situations. Long or short term assignments from £50 per day. Write Box A.5999, Financial Times, 10, Cannon Street, EC4P 4BY.

COMPUTER SALES EXECUTIVE, 13 years' business systems experience, seeks new opportunity where initiative, effort and management skills will be rewarded. Write Box A.6001, Financial Times, 10, Cannon Street, EC4P 4BY.

Additional Appointments Advertising appears to-day in the Accountancy Survey Pages 7-10

Senior Foreign Exchange Dealer

If you are a capable Foreign Exchange Dealer with about five years active market experience, you could be the person to assist the Foreign Exchange Manager in the running of our dealing room.

Preferably, you should be about 27-30 years of age and have a good banking background.

Applications, giving brief details of qualifications and past experience should be forwarded to our Company Secretary, Mr. D. R. Ledger.

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MARKETING MANAGER

Small international trading company in Victoria, London, S.W.1, requires a dynamic person to expand its Middle East markets. We are looking for a person with M.B.A. or equivalent with export experience including knowledge of export financing, and with entrepreneurial ambitions.

We offer a salary of £8,000+ p.a., car and other benefits.

Please reply in confidence stating experience and present salary to Box A.6005, Financial Times, 10, Cannon Street, EC4P 4BY.

CONTRACTS AND TENDERS

EMPRESA NACIONAL DE ENERGIA ELECTRICA (ENEE)
Bid Notice E-VII-101

The Empresa Nacional de Energia Electrica (ENEE) gives public notice that it is interested in acquiring thermal generating equipment to be used in the expansion of the Interconnected System of the Republic of Honduras. This equipment should be delivered and installed in Puerto Cortes, Honduras, in a period of 360 days starting from the effective date of the contract.

The potential bidders should commit themselves to deliver the equipment in the form in which it will be contracted, which will include installation. The firms can obtain these Bid Documents in the Supply Department (Departamento de Proveeduria) of ENEE, upon prior written request, beginning on June 23, 1977. The written request should be sent to:

Departamento de Proveeduria
Empresa Nacional de Energia Electrica (ENEE)
Apartado 99
Tegucigalpa D. C. Honduras

It should specify:

1. Name of the firm or manufacturer who will participate in the bidding.
2. Name of their representative in Honduras.
3. Address of both.

In addition to this written request, interested parties should pay the sum of 60 Lempiras (U.S. $30) for each set of Bid Documents. These Bid Documents are identified in the following manner:

Licitacion E—VII-101
Planta de Generacion Termica

The Empresa Nacional de Energia Electrica has made a loan request to the International Bank for Reconstruction and Development (IBRD) in order to finance the project, but ENEE reserves the right to arrange financing with the Interamerican Development Bank (IDB), the Central Bank for Economic Integration or directly with the potential equipment suppliers. Only qualified suppliers from member countries of the International Bank for Reconstruction and Development, the International Monetary Fund or Switzerland are eligible to participate in this bidding. The potential bidders should meet the minimum requirements indicated in the Bid Documents.

DR. LUIS COSENZA JIMENEZ
General Manager

COMPANY NOTICES

CANADIAN NORTH ATLANTIC WESTBOUND FREIGHT CONFERENCE
NOTICE TO SHIPPERS
FREIGHT RATES TO CANADA

The member lines of the above Conference operating services between the United Kingdom and the Republic of Ireland and Canadian maritime, St. Lawrence River and Great Lakes ports would refer shippers to the general increase in tariff rates which became effective 31st January 1977.

A recent review of the lines' revenue has revealed that the January increase has failed to produce the improvement required to meet their increased operating expenses applicable at that time and accordingly the lines have no alternative but to introduce a further upward revision in freight rates to achieve the position aimed at by the January increase.

Shippers are therefore informed that, with effect from 1st October, 1977, all ocean rates and charges will be increased by 7 per cent.

Coincidental with this increase the dry cargo container minima will be increased as follows:—

Traffic moving on a house-to-house basis:—
Containers 20 ft. in length ... Cdn. Dlrs. 750
Containers in excess of 20 ft. in length ... Cdn. Dlrs. 1,500
Traffic moving on a pier-to-house or house-to-pier basis:—
Containers 20 ft. in length ... Cdn. Dlrs. 650
Containers in excess of 20 ft. in length ... Cdn. Dlrs. 1,300

The lines feel obliged to point out to shippers that their operating expenses have continued to increase throughout 1977 and, even if the October increase achieves the desired effect of offsetting the shortfall of the 31st January 1977 increase, a further review of freight rates will almost certainly be necessary early in 1978 and an announcement in respect thereof will be made at the earliest possible opportunity.

ATLANTIC CONTAINER LINE G.I.E.
CANADIAN PACIFIC STEAMSHIPS LTD.
DART CONTAINERLINE COMPANY LTD.
ERNST RUSS
MANCHESTER LINERS LTD.) Joint
GOLDEN CROSS LINE LTD.) membership
HAPAG-LLOYD A.G.

CANADIAN ATLANTIC FREIGHT SECRETARIAT LTD.
Secretaries.

Cunard Building,
Liverpool, L3 1DS.
June, 1977.

PAN-HOLDING S.A., LUXEMBOURG

Notice is hereby given that Pan-Holding S.A., has declared a dividend of U.S.$2.25 per share or $10 for the year 1976 payable as from the 1st July, 1977.

The dividend will be payable against Coupon No. 41 from bearer shares of PAN-HOLDING S.A., which may be presented to Midland Bank Limited, Securities Department, International Division, Suffolk House, 5, Laurence Pountney Hill, London, EC4R 0EU, for payment at the rate of exchange current on the day of payment. Income Tax at 35% will be deducted unless the *Coupons are accompanied* by an Inland Revenue Affidavit.

LEGAL NOTICES

No. 001921 of 1977

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of WISEFINE LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named *Company by the High Court of* Justice was on the 9th day of June 1977, presented to the said Court by TERENCE ALDERSON ESQ., of 37, Ashley Drive, Twickenham, Middlesex, a Company Director, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL on the 11th day of July 1977, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

H. DAVIS & CO.,
42, Brook Street,
London W1Y 2ES.
Ref. AFL/SAC/DP/8997.
Tel: 01-629 9511.
Solicitors for the Petitioner.

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FARMING AND RAW MATERIALS

[C]ocoa crop [f]ears ['p]remature'

[ANX]IETY ABOUT the effect of [w]eather earlier this year on [Ghan]a's cocoa production is [see]ming to look premature, [accor]ding to the London cocoa [deale]rs Holco Trading Company. [A re]port issued by the company [yeste]rday said recent rains have [impr]oved prospects for the 1977 [main] crop.

[In] the Brong, Abafo, Ashanti [and] Western Regions of Ghana [the] amount of small cocoa [pod]s is higher than last year, [with] excellent flowering and im[provi]ng canopy, Holco said.

[B]earing in mind that it is [still] early in the season, the [crop] could still be better than [last] year, though late."

[Las]t year's Ghana main crop, [harve]sted between October and [Marc]h, yielded about 305,000 [tonnes].

[As] consumption is likely to [fall] further in 1978 it is pos[sible] that even an unchanged [Ghana] production could provide [a su]rplus, Holco said.

[C]hina's cotton [c]hallengers

HONG KONG, June 29.

[CHI]NA'S TWO leading cotton [grow]ing provinces, Hupeh and [Kian]gsu, have issued a challenge [to] other provinces and pre[fectu]res to increase cotton pro[ducti]on, according to the New [Chin]a News Agency monitored [here].

[Kia]ngsu has 585,000 hectares [of c]otton this year and plans to [produ]ce 475,000 tonnes, while [Hupe]h anticipates output of [400,0]00 to 500,000 tonnes from [...]00 hectares.

[Co]tton growers in Northern [Chin]a completed sowing in good [time] despite a long dry spell and [plant]s are growing better than [last] year with early planted [cotton] already bearing bolls, the [agency] said.

[In s]outhern areas which have [had c]old weather and excessive [rain] all the fields have been [sown], the sowing finished and [...] are full.

[Las]t year in Tienmen, the main [cotto]n growing area in China, ginned output averaged 967.5 kg. [per hec]tare from 52,000 hectares.

[BRAZILI]A OIL SALE TO [CHIN]A RUMOURED

[RIO] DE JANEIRO, June 29.

[TRADE] SOURCES here are un[able to] confirm rumours of new [Chinese] purchases of Brazilian [soya bea]n oil, reports Reuter. [But] rumours in the market [me]ntioned possible Chinese [pur]chases of around 90,000 [tonnes] with roughly half from [Brazil] and the rest from other [origins].

New York move to head off coffee 'corner' threat

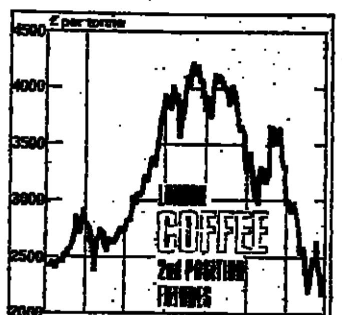
BY RICHARD MOONEY

EMERGENCY ACTION has been taken by the New York Coffee and Sugar Exchange in an attempt to ease the tightening squeeze in the prompt July coffee futures position. The Board of Managers of the Exchange has announced that the buying of futures contracts for July will be allowed only against current "short" positions while new selling will be permitted only for holders of physical coffee.

The Board said it had taken the action on the advice of its control committee which reported that the situation in the July contract "may be conducive to an attempt to manipulate prices and may constitute an actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions."

London trade sources said the open position on the New York July contract was understood to amount to about 250,000 bags (60 kilos each) against warehouse holdings of only 80,000. This situation is rumoured to have been brought about by support buying on behalf of coffee producers.

But there is a feeling among London traders that the Board's action, which is a repeat of a move made in similar circumstances last September, is unlikely to improve the situation significantly. "The damage is already done," one dealer commented.



The move is not expected to influence the London prices directly, though some sources said it removed the only positive support factor in the market.

Prices fell sharply in London yesterday with the September position closing £170 lower at £2,135 a tonne—bringing the fall in the past four trading days to £535. The decline was attributed to a total lack of physical offtake and was encouraged by chart patterns.

The continuing warm weather in Brazil was also thought to have played a part in the fall. The frost season will not be over for at least another month but most observers believe that the chance of a frost is now fairly remote.

A feeling that a major sell-off is now possible in the coffee market is growing more widespread, dealers said yesterday, though they thought a fall below £2,000 a tonne would be premature at the moment. If the frost season passes without major incident, however, prices could fall dramatically in view of the trend towards lower consumption.

It is still not clear whether the lower retail offtake which has been noticed recently reflects genuine consumption cuts. Shops and housewives could merely be running down stocks acquired during the price upsurge.

But most coffee trade sources now concede that even if this is the case a resurgence of apparent consumption once the stocks are used up seems unlikely unless retail prices fall dramatically.

● General Foods Corporation has made layoffs of workers at all four of its coffee roasting plants in the U.S., reports Reuter from New York.

The company's White Plains office said the layoffs began a week or so ago because of a general decline in sales as consumers and retailers work off stocks.

Japan—Australia sugar walk out

BY OUR COMMODITIES STAFF

LATEST EFFORTS by the Japanese to revise the terms of the long-term sugar contract with Australian suppliers collapsed when Mr. John Laurie, chief negotiator for the Australian sugar growers, walked out of the Tokyo talks with Japanese refiners, reports Reuter.

Mr. Laurie, of CSR Limited, marketing agent of the Australian sugar industry, said he had turned down another Japanese request for a cut in the contracted price "which offered nothing by way of recompense for us."

Japanese refiners are seeking to amend the five year contract, signed in 1974 at the time of the world sugar shortage, when they agreed to import 600,000 tonnes of Australian sugar a year at a price equivalent to $A405 (£270) at current exchange rate.

Since the agreement was signed the world sugar supply situation has changed radically. But Australian growers have held out against renegotiating the contract unless they are offered some kind of compensation in the form of freer access in the future, which might be agreed on a Government to Government level.

Japanese sugar industry sources said Mr. Laurie walked out of the meeting after rejecting their latest proposal, which revolved around a lower fixed price per tonne for the remaining three years of the contract, rather than application of the London daily world market price (currently £112), as the refiners previously suggested.

The third year of the contract begins on July 1. Japanese sugar industry sources warned that unless the contract is changed some refineries may be unable to accept subsequent deliveries despite their contractual obligations.

Mr. Laurie said as far as he is concerned a 14,000-ton shipment due to leave Australia for Japan on July 1 will leave "about one minute after midnight."

● In Brussels the EEC Commission authorised sales of 49,435 tonnes of white sugar at its weekly open market selling tender yesterday raising the export rebate given to 22.891 units of account per 100 kilos against 22.141. The Commission has also raised the fortnightly fixed rebate granted on sugar exports at any time from 17 to 18 units for whites and from 13.5 to 14 units for raw sugar.

SUGAR FUEL STUDY REQUEST

EXPERTS FROM the Organisation of American States are to study the possibility of using alcohol distilled from fermented sugar cane as fuel. The study will be undertaken at the request of the Jamaican government, Reuter reports. Jamaica is said to have the technical capacity to produce anhydrous alcohol.

U.S. strike fears rally copper

COPPER PRICES rallied strongly yesterday, after two days of declining, as sentiment changed regarding the prospect of a strike by U.S. copper workers when their labour contracts expire on Thursday night.

As the deadline approaches it is now being forecast that there could be a lengthy stoppage after all.

This change in viewpoint was mainly caused by the news that one of the leading U.S. copper producers, Phelps Dodge, has claimed that it will not improve the offer made recently to its workers. The amount was far below the union's demands.

Copper cash wirebars gained £21 to £763.5 a tonne by the close on the London Metal Exchange and values were moving further ahead in later dealings following an upward surge in the New York copper market.

Banned

Ignored in the general "bullish" sentiment was confirmation in a Reuter report from Tokyo that Japanese refiners are seeking Government permission to resume limited exports of surplus copper.

Exports have been banned since November, 1974, following complaints from developing countries that Japanese exports were depressing world market values.

But the refiners would now like to resume sales of surplus supplies, that are building up again, to certain specified areas providing they do not disrupt the market.

For the moment, however, the market is dominated by the U.S. copper strike prospects, and prices are likely to follow every twist and turn in the negotiations between the copper companies and the unions.

Zambia lead cutback

COPPER was the main influence boosting a general rise in metal prices yesterday, but lead was also helped by the announcement of a cutback in Zambian lead shipments from July 1.

The Metal Marketing Corporation of Zambia (Memaco) declared a partial force majeure on lead deliveries, supplied under direct contracts with consumers.

The cutback is the result of production problems caused by the collapse of a cooling tower providing oxide fume for Nchanga Consolidated Copper Mine's lead smelter for its Broken Hill mine output.

In July deliveries will be cut back by 40 per cent on normal shipments, and thereafter the situation will be reviewed on a month-to-month basis.

'LITTLE NEDDY' ON AGRICULTURE

The missing key to farm expansion

BY CHRISTOPHER PARKES

THE FARMING industry has all the men, the land, and all the technical resources it needs to boost production of home-grown food and cut the country's food import bill by millions. But there is one vital element missing from the success formula: cash.

Farmers need more money for investment, according to the Agricultural Economic Development Committee's latest reports* out to-day. And the best way for them to get the money is through higher market prices for their produce, "Little Neddy" claims.

Grants and tax relief have their part to play, according to the leading members of the committee, but at a Press conference in London yesterday, the message came out over and over again that higher end prices offered by far the best hope for success.

The main report—Agriculture into the 1980s—Resources and strategy—says that net agricultural output this year is expected to be 20 per cent. less than two years ago. The industry is thus well wide of the targets set for it in the 1975 White Paper, Food from our own Resources.

The 2½ per cent. annual growth rate which is supposed to bring the nation a £670m. saving on imports by 1980 has not been even approached these two years past.

The most obvious element working against the industry has been the weather.

Supposed "leaks" have ensured that none of this comes as startling news. Mr. John Silkin, Minister of Agriculture, has already issued a couple of soothing statements talking of an autumn review and overhaul of the White Paper.

On the eve of publication of the Neddy report he invited farmers, workers and the industry in general to let him have their views on prospects up to the 1980s.

But there has been no real discussion yet on the broader question of whether the White Paper is worth keeping on as a part of government policy.

With such fickle weather, which can apparently wreak such havoc, is it sensible for a country like Britain to aim so deliberately at fixed food production targets? And even if they are achieved, what has a Government like the present one to gain, especially since it seems they can be reached only by squeezing more out of the consumers' housekeeping budget.

Reserve

A subsidiary report to the main paper includes an appeal for tax relief via a slight variation on the idea of averaging income-tax over a period of years.

The committee suggests that part of a farmer's taxable income in good years should be set in a special tax-free reserve fund to be be used for investment, and charged for tax only when any of the fund is included in the farm's profit and loss account.

It also recommends that capital allowances for farm buildings and works should be improved, and there is even a timid reference to the possibility of raising equity capital for farming.

The threat of future capital taxation may be inhibiting investment, the report adds. Although the drain from capital transfer tax will not become "substantial" for 15 years and will take 30 years to reach its peak, committee members at the Press conference were worried that farmers might set aside cash for CTT which could well be used in investment projects.

Apart from its wholly predictable call for higher prices—predictable because it said more or less the same thing in a mid-term report last October—the committee takes a hard line on the need for structural reform in the industry.

As Mr. F. C. de Paula, managing director of the Agricultural Mortgage Corporation, put it yesterday, because of the country's "inflexible" land tenure system, the industry was beginning to suffer from "ossification."

The report notes, in a glibly sinister tone: "Incentives to farmers operating uneconomic units to leave the industry have had little impact. National and EEC measures should concentrate on investment aids to viable farm businesses so that the normal economic forces will be encouraged to bring about restructuring."

* *Agriculture into the 1980s—Resources and Strategy;—the Impact of Taxation;—Finance, NEDO; Millbank Tower, Millbank, London SW1P 4QX.*

India sets higher grain target

BY K. K. SHARMA

NEW DELHI, June 29.

THE INDIAN Agriculture Ministry has fixed a target of 125m. tonnes of foodgrains for 1977-78, well above the 114m. tonnes produced last year. The higher target has been fixed because a basic potential of 121m. tonnes has been already established since this was the record production achieved in 1975-76.

Much will depend on the monsoon to achieve the target. This is said to be normal this year so far and the bulk of the country has had rain in time.

However, farmers in many northern States were forced to resort to late sowing of paddy owing to delayed harvesting of the "rabi" (winter) crop because of unseasonal rain in March and April.

To achieve the target, the Agriculture Ministry has decided to stabilise production in areas which are assured of inputs like irrigation, fertilisers and high yielding varieties of seeds.

Other areas are to be helped by introduction of better crop pattern, credit to farmers to buy inputs and plant protection measures.

The Ministry has appointed a 14-member task force to ensure that fertilisers supplies are made available and that there are no bottlenecks in supplies of other inputs. The State Governments are being asked to establish special groups for the same purpose.

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[illegible]

MEAT/VEGETABLES

[illegible]

Israel steps up European vegetable sales

TEL AVIV, June 29.

ISRAEL INCREASED her off-season exports of vegetables to the European market by a third during the past winter-spring. They rose from 83,000 tonnes worth $27m. to 110,000 tonnes valued at $35m.

Exports of onions more than doubled to 33,000 tonnes. Carrots increased by 45 per cent to 6,000 tonnes, and capsicum to 8,500 tonnes.

Moreover, the proportion of air-freighted produce doubled to 35,000 tonnes with the inauguration of a special air cargo charter line at the beginning of the 1976-77 season.

PRICE CHANGES

[illegible]

INDICES

FINANCIAL TIMES

REUTER'S

DOW JONES

MOODY'S

[illegible]

U.S. Markets

Copper and silver ease grains firm

COPPER and silver eased mainly on local selling and lack of news. Chicago grains and complex was firm on Commission House buying mostly on reports of Russian buying of grains. Coffee closed limit-down on mixed selling and speculative liquidation. Sugar was steady on Commission House buying, Bache comments.

[illegible]

STOCK EXCHANGE REPORT

Lessened BP activity in generally subdued markets

Index down 2.4 at 456.2—Short-dated Gilts quiet and easier

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Jun. 13	Jun. 23	Jun. 24	July 5
Jun. 27	July 7	July 8	July 19
July 11	July 21	July 22	Aug. 2

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

With BP still the centre of interest despite a slackening in activity yesterday, London stock markets opened on a slightly easier note following the disappointing overnight performance in the BP share price on Wall Street in line with that exchange's drab showing on gloomy prognostications for the U.S. economy. London buyers of equities remained cautious but no selling pressure was in evidence and marking down in an attempt to find a trading level was largely responsible for a loss of 5.1 in the F.T. 30-share index at 10 a.m. The fall was halved an hour later and prices then fluctuated narrowly in a reduced trade. There was no pick-up in the late business and the index ended a net 2.4 down on the day at 456.2.

British Funds also moved narrowly and, despite sterling's continued firm showing, quotations here ended with losses to 1/16 after ⅛, in short-dated issues with the longs closing unchanged after being ⅛ off; the Government Securities index shed 0.12 further to 68.19.

Gilts apathy

Fairly numerous firm features emerged in equities on trading news, but falls in F.T.-quoted issues just outnumbered rises as against the ratios of 15:2 and 5:4 in favour of gains on Monday and Tuesday respectively. BP shares opened easier on U.S. influences and drifted lower before closing above the worst but with net losses still of 10 the fully-paid ending at 930p and the partly-paid at 375p. Still in Oils, Shell dropped 12 to 570p after the Government's directive to stop production from the important North Sea Brent Field to prevent gas wastage. The F.T.-Actuaries Oil share index dropped 1.5 per cent. to 514.80 in contrast to the loss of 0.5 per cent., to 190.23, in the All-share index. On the other hand, further favourable Press comment enabled the Discount Houses section of the indices to put on 1.5 per cent. to 174.57.

Official markings fell from the previous day's 6,067 to 5,002 with those in Oils nearly halved from 1,280 to 707, which is still substantially in excess of normal markings.

In continuation of the previous evening's late easier trend, British Funds opened with marginal falls which, in the case of short-dated issues, were soon extended to ⅛. Although the volume of business at both ends of the market amounted to little, it contained sufficient buying interest to subsequently halve the losses and Exchequer 13 per cent., 1980, closed ⅛ off at 106 3/16, having been 106 1/16 earlier. A similar situation among the mediums and longs ended with quotations reverting to overnight list levels, after being ⅛ lower at the start of business. Unusually, Corporations were not affected by the apathy in the main funds and several issues moved into higher ground to establish net improvements ranging to ½.

A moderate interest on arbitage account found sellers of investment currency reticent throughout the result that the premium made steady upward progress to close nearly two points higher at 111⅝ per cent. Yesterday's SE conversion factor was 0.7059 (0.7109).

Standard improve

The company's admission to having misinterpreted the rules on dividend restraint by yesterday recommending a final dividend in excess of that announced 24 hours previously led to a rise of 8, to 330p, in Standard Chartered. Home Banks rallied from a dull start and ended with modest improvements. Barclays hardened 2 to 280p, after 274p, while Midland were a like amount up at 298p, after 294p. Discounts improved in places following investment comment. Gerard and National added 6 to 158p and Cater Ryder 5 to 260p. Keyser Ullmann improved 2 to 38p in Merchant Banks.

Brokers continued quietly firm in Insurances. C. E. Heath gained 5 to 630p and Sedgwick Forbes 4 to 310p.

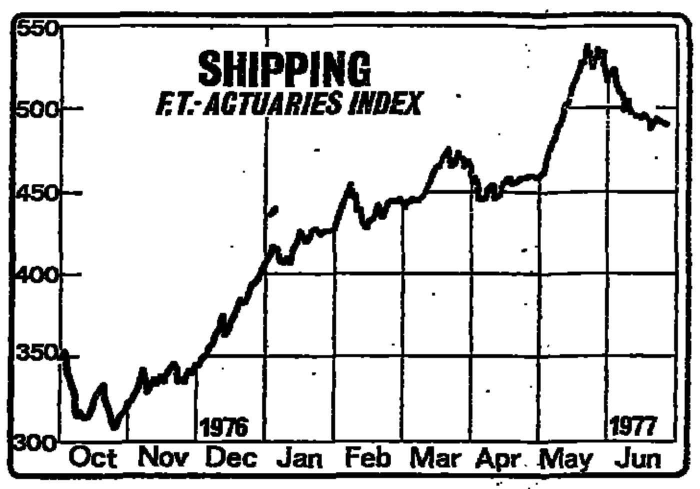
A Bell remained popular in otherwise quiet Distillers, the Ordinary rising 5 more to 225p, and the new nil-paid shares improving 3 to 25p premium. Highland, on the other hand, fell 4 to 90p.

BPB Industries were better than most in Buildings at 174p, up 6, on the good preliminary results. Renewed speculative support on continuing hopes that National Chemical Industries may soon announce increased bid terms helped Concrete improve 3 to 111p, while similar rises were recorded in Barratt Developments at 76p and J. Smart at 63p. Bett Bros. improved 2 to 43p on the interim results but SGB receded a penny to 102p on its first-half figures. Still unsettled by the Equity Capital for Industry plan to invest £2.65m. in UBM by taking an 11 per cent. stake in the company's equity at 54½p per share, the latter gave up 2 more to 54½p, after 53½p.

Despite an investment recommendation, ICI opened easier and drifted lower to 402p before rallying late to finish only a penny cheaper at 408p. Elsewhere in Chemicals, Federated shed 3 to 55p and recent favourite, Allied Colloids, cheapened a penny to 309p.

Stores passed a quiet session and closed slightly easier for choice. Gussies A gave up 4 to 226p and W. H. Smith relinquished 5 to 540p. Courts (Furnishers) and the A both lost 3 to 78p and 77p respectively on the disappointing annual results. Owen Owen receded 3 to 60p and Maxlin Fashions lost 2 to 6p.

Leading Electricals often closed with minor losses. EMI, 222p, and GEC, 197p, both shed 3, but Plessey held at 87p and Thorn



issues managed penny improvements at 309p for the Ordinary and 305p for the A. Recent disenchantment with Reyrolle Parsons over the proposed merger with Clarke Chapman saw no further deterioration in the price of the former, unchanged at 168p, but Clarke Chapman came on offer and lost 5½ to 80p. Electronic issues were narrowly mixed. Following a two-day rise of 17, United Scientific met with small profit-taking and reacted 3 to 174p. Farnell Electronics, however, remained firm at 173p, up 5, while Muirhead improved 2 to 191p. A public relations exercise by BICC in which principals of the company held talks with brokers with a view to enhancing the stock market status had no apparent effect with the shares unaltered at 118p.

Still looking forward to more marketability in the stock after the proposed share subdivision early next month, buyers once again became interested in Hawker following publicity given to a brokers circular; in steady trading, the shares put on 10 to 670p which represents a rise of 162 since news of the share-split was announced on April 19. Of other Engineering majors, Vickers hardened 3 to 186p on investment demand, but John Brown cheapened 2 to 216p. Elsewhere, Edgar Allen Balfour rose 5 to 67p on better-than-expected results, while Matthew Hall gained a similar amount to 188p. Capper Neill rose 3 to 102p as did Haden Carrier and Serck to the common level of 97p.

J. Lyons captured the limelight in Foods, improving 6 to 95p in active trading on relief that the dividend had been maintained as well as the satisfactory preliminary figures. Bejam rose 3 to 118p, while similar gains were seen in Park Farms, 240p, Tavener Rutledge, 125p, and Linfood, 235p. Rakusen ended marginally firmer at 13p, after 13½p, following the interim report. On the bid scene, Matthews Holdings hardened a penny to 55p with the help of option business; it was confirmed yesterday that the merger talks with Thomas Borthwick were still in progress.

Trust Houses Forte continued to figure prominently in Hotels and Caterers, rising 7 to 153p for a two-day gain of 13 on further consideration of recent Press comment; the interim figures are due on July 5.

Gomme down again

Following Tuesday's loss of 14 on news that the bid talks had been terminated, Gomme lost 5 more to 56p. Elsewhere on the bid front, Redfearn National Glass continued with a rise of 5 more to 210p, after 215p, on hopes that the discussions with an unnamed foreign suitor would be successful. Rockware gained 5 to 119p in sympathy. Good results from Halma sparked off a rise of 5½ to 28p, while record profits enabled LCP to improve a penny to 71p. Giltspur mirrored the sharp second-half recovery with a rise of 3 to 37½p. Reports of an expansion in capacity aided British Syphon, 2 higher at 44p, while the strong order book position showed up in a penny improvement to 64p in James Dawson. Elsewhere in secondary miscellaneous Industrials, Gallenkamp, a good market of late, declined 7 to 316p. Cosalt, on the other hand rose 5 to 58p and the new nil-paid shares gained a like amount to 27p premium. Diploma Investments put on 7 to 107p and Sutcliffe Speakman 4 to 46p. The leaders tended a few pence lower, but Reed International lost an exceptional 7 to 188p.

Lucas Industries remained on offer, losing 9 to 288p for a two-day loss of 16 on growing concern over the industry's current labour troubles. Other Motors and Distributors, however, were often better where changed. York Trailer improved 4 to 43p, while Houchin, 132p, and Airflow Streamlines, 32p, put on 2 and 3 respectively.

BP easier

Among Publishers, Morgan Grampian rose 6 to 110p on the good annual profits. Elsewhere, Thomson encountered profit-taking and, at 607p, lost the previous day's improvement of 5.

Although there was another substantial business in British Petroleum old and new shares, trading quietened considerably compared with the previous two days. The old opened at 930p and drifted down to close a net 10 off at 928p, while the partly-paid shares ended with a similar loss at 375p. Elsewhere, Shell declined 12 to 570p on news that the Government has ordered Shell and Esso to close down the Brent North Sea oilfield to avoid wasting natural gas in flare-off operations. Other Oils tended mixed. Oil Exploration, 182p, and Siebens (U.K.), 132p, lost 2 and 4 respectively, but Berry Wiggins, at 28½p, rallied 1½ after Tuesday's fall of 4 caused by the substantial 1976 losses. LASMO remained in favour at 328p, up 8, ahead of next week's expected issue of Ordinary shares.

Overseas Traders were noteworthy only for a rally of 3 to 221p in Gill and Duffus following the previous day's reaction of 6 on fading bid hopes.

Investment Trusts movements were generally limited to a penny or two. Bridgewater finished marginally better at 51p, but Scottish Eastern, 111p, and Scottish National, 117p, both closed 1½ cheaper. Financials were noteworthy for an advance of 4 to 57p in Charterhouse.

Furness Withy came to the fore in Shippings, rising 8 to 237p in thin trading on renewed speculative attention. Milford Docks moved up 5 to 95p for a two-day gain of 14 on further consideration of the chairman's statement at the annual meeting, while small buying lifted Hunting Gibson 10 to 330p.

Textiles spent a quiet session. Ricking Pentecost finished a shade better at 75p following the preliminary figures, while gains of 1½ were seen in Sekers International, 20p, and Snia Viscosa, 76½p.

Anglo-American, 20 off at 470p, provided the only significant movement in South Africans.

Baraoora Tea rose 3 to 48p for a two-day gain of 11 on further consideration of the results and Noyapara Tea reflected the sharply improved earnings with a similar gain to 120p. Surmah Valley 55p, and Empire Plantations, 13½p, both closed around 3 harder, while Singlo, which is as in Blyvoor, improved 1½ to 19½p.

Golds lower

Lack of interest and small scattered selling left South African Golds lower across the board and produced a 3.1 fall in the Gold Mines index to 108.3, despite the steadiness of the metal price, which was finally unchanged at $142.625 per ounce.

Losses in the heavyweights ranged up to a half-point as in Randfontein and West Driefontein at £24 and £15 respectively, while Western Holdings fell a similar amount to £11⅞. Lower-priced issues declined by as much as 17 in Blyvoor, 298p.

South African-registered Financials also lost ground with "Johnnies" a half-point off at £11½ and "Amgold" ½ cheaper at £12⅛.

The easier trend in U.K. equities, coupled with lack of interest, left London-domiciled Financials a few pence lower. Charter Consolidated 111p, Gold Fields, 139p, and Selection Trust, 415p, all gave up 3, while Rio Tinto-Zinc eased 2 to 207p.

In Platinums the modest recovery in the free market metal price caused Bishopsgate to harden 2 to 62p but among Coppers, Minoren eased another penny to a 1977 low of 144p, despite the rally in the metal price.

Australian issues attracted modest support following their recent dullness and reflected the slightly firmer trend in overnight Sydney and Melbourne markets. Among Uraniums, Pancontinental improved a half-point to £11, and Ocean Resources put on a penny to 30p.

The coal-producing Oakbridge added 2 at 112p while MIM Holdings closed unaltered on balance at 195p, after 193p.

The recent firmness in Tins continued with Ayer Hitam 10 better at 350p and Southern Malayan 5 higher at 185p. New highs for the year were registered by Malayan Tin, which put on 3 to 280p, Tronoh, which gained 5 to 155p and Hongkong, which rose the same amount to 97p. Tanjong were unchanged at 45p despite the chairman's encouraging statement.

FINANCIAL TIMES STOCK INDICES

	June 29	June 28	June 27	June 24	June 23	June 22
Government Secs.	68.19	68.31	68.39	67.98	67.98	67.98
Fixed Interest	69.43	69.52	69.15	68.61	67.95	67.99
Industrial Ordinary	456.2	458.6	459.5	449.8	[illegible]	446.7
Gold Mines	108.3	111.4	110.9	110.9	109.8	110.1
Ord. Div. Yield	5.15	5.15	5.13	5.30	5.30	5.28
Earnings Yld.% (full)	15.56	15.50	15.40	15.79	15.90	15.95
P/E Ratio (net)	9.35	9.40	9.41	9.23	9.11	9.15
Dealings marked	5,002	6,067	6,827	4,435	4,143	4,347
Equity turnover £m.	—	126.90	70.16	64.06	51.39	59.06
Equity bargains total	—	22,112	16,535	14,273	11,827	10,757

10 a.m. 451.1. 11 a.m. 453.4. Noon 454.1. 1 p.m. 454.9. 2 p.m. 455.0. 3 p.m. 455.8.

Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. † Nil=9.09.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1977 High	1977 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	71.48	60.45	127.4	49.18
Fixed Int.	72.19	60.49	150.4	50.53
Ind. Ord.	477.4	357.6	549.2	49.4
Gold Mines	137.4	95.1	442.3	43.5

S.E. ACTIVITY

	June 28	June 27
—Daily		
Gilt-Edged	132.6	[illegible]
Industrials	155.5	[illegible]
Speculative	38.1	[illegible]
Totals	115.8	[illegible]
—5-day Avr'ge		
Gilt-Edged	132.3	[illegible]
Industrials	158.5	[illegible]
Speculative	37.9	[illegible]
Totals	111.4	[illegible]

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1977 high	1977 low
BP (Partly-paid)	£1	21	375	−10	393	
ICI	£1	17	408	−1	412	
Shell Transport	25p	14	570	−12	582	
Barclays Bank	£1	13	280	+2	280	
Trust Houses Forte	25p	10	153	+7	157	
BP	£1	10	928	−10	966	
Giltspur	10p	9	37½	+3	37½	
Royal Insurance	25p	9	348	−2	366	
Unilever	25p	8	494	−4	536	
APC	£1	7	192	−1	200	
Distillers	50p	7	148	+1	159	
GKN	£1	7	346	—	352	
Hawker Siddeley	£1	7	670	+10	670	
Marks & Spencer	25p	7	120	—	124	

NEW HIGHS AND LOWS FOR 1977

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1977.

NEW HIGHS (68)

CANADIANS (1) · Place Gas · BANKS (2) · Gillett Bros. · Keyser Ullmann · BUILDINGS (4) · BPB Inds. · Maunders · Crouch (D.) · Vectis Stone · Jones (Edward) · CHEMICALS (2) · Fisons · Ransom (W.) · STORES (2) · Foster Bros. · Raines · ELECTRICALS (1) · Farnell Elect. · ENGINEERING (10) · Butterfield-Harvey · Jones & Cattell · Laird Group · Lloyd (F. H.) · Crown House · Porter Chadburn · Hall Eng. · Smith Eng. · Hawker Siddeley · Weir Group · FOODS (3) · B'shop's Strs. A · N.V. Ford & Peacock · Lyons (J.) · Park Farms · Matthews Hldgs. · INDUSTRIALS (13) · Bodycote & Howland · Cawdaw · Cosalt · Newport Ceramic · Crest (L.) · Keller Inds. · Crosby House · Linton (L.) · Diploma Invs. · Mann (C.) · Gill & Duffus · Plastic Construction · Gibbons (L.) · INSURANCE (2) · Heath (C. E.) · Sedgwick Forbes · MOTORS (1) · C.G.S.B. · Houchin · NEWSPAPERS (2) · Bristol Post · Morgan Grampian · PAPERS (1) · Gulley Printing · PROPERTY (1) · Country & District · SHIPPING (1) · Milford Docks · SHOES (1) · Steed & Simpson A · TEXTILES (1) · Hicking Pentecost · OILS (1) · LASMO 14pc '81-'85 · RUBBERS (1) · Chersonese · TEAS (3) · Empire Plantations · Singlo · Jokai · MINES (3) · Hong Kong · Tronoh · Malay Dredging

NEW LOWS (7)

AMERICANS (1) · Aetna · U.S. Steel · Bethlehem Steel · INDUSTRIALS (1) · Borg-Warner · MOTORS (1) · BSG Internatl. · PROPERTY (1) · Country & N. Town · MINES (1) · Minoco

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	1	13	[illegible]
Corpns. Dom. and Foreign Bonds	22	3	[illegible]
Industrials	259	291	[illegible]
Financial and Prop.	51	74	[illegible]
Oils	9	14	[illegible]
Plantations	20	2	[illegible]
Mines	15	34	[illegible]
Recent Issues	[illegible]	[illegible]	[illegible]
Totals	378	431	[illegible]

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1977 High	1977 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
845	500	—	393	362	BP (RLA'sS5 pd)	375	−10	g21.77	1.4	3.3	32.5
‡‡60	F.P.	—	99	86	Forward Tech. Inds 5p	98		b6.7	1.7	11.0	12.6
4	F.P.	—	92	88	LWTV	89		56.02	2.6	10.5	5.6

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. a Figures based on prospectus estimate. g Assumed dividend and yield. ‡ Forecast dividend; cover based on previous year's earnings. Other symbols [illegible].

OPTIONS TRADED

DEALING DATES

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Jun 21	July 4	Sep. 15	Sep. 27
July 5	July 18	Sep. 29	Oct. 11
July 19	Aug. 1	Oct. 13	Oct. 25

For rate indications, see end of Share Information Service.

Money was given for the call in Lonrho, BP new, Lennons, Burmah Oil, Westland, Matthews Holdings, Berry Wiggins, Lee Cooper, William Press, Tricentrol, A. Monk, P. and O. Deferred, Reyrolle Parsons, Plessey, CH Industrials, Hopkinsons, Waterford Glass, W. J. Glossop, Norfolk Capital, Land Securities and Storey Bros. Puts were done in Berry Wiggins, J. Lyons and Matthews Hldgs.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

FIXED INTEREST PRICE INDICES

	British Government	Wed. June 29	Day's change %	xd adj. To-day	xd adj. 1977 to date
1	Under 5 years	107.12	−0.03	—	4.61
2	5-15 years	111.49	—	—	5.81
3	Over 15 years	119.59	—	—	4.55
4	Irredeemables	117.56	—	—	7.24
5	All stocks	110.57	−0.01	—	5.50

[illegible]

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

INSURANCE, PROPERTY, BONDS

British Life Office Ltd.♥ (a)

Reliance Hse., Tunbridge Wells, Kt. 0892 22271

British Life	44.9	47.5	-0.1	5.69
Balanced*	40.8	43.6	.....	5.63
Dividend*	36.0	38.5	.....	9.73

Prices June 28. Next dealing July 6.

LEADERS AND LAGGARDS

The following table shows the percentage changes† which have taken place since December 31, 1976, in the principal equity sections of the FT Actuaries Share Indices. It also contains the Gold Mines Index.

[illegible] June 28		Overseas Traders	+28.04
Hire Purchase	+78.45	Chemicals	+26.86
Machine Tools	+64.89	Cons. Goods (non-Dur.) Group	+25.95
Engineering (Heavy)	+57.78	Insurance (Composite)	+25.93
Newspapers and Publishing	+54.54	All-Share Index	+25.77
Building and Construction	+53.56	Shipping	+23.98
Electronics, Radio and TV	+52.37	Entertainment and Catering	+23.73
Consumer Goods (Durable) Group	+48.84	Breweries	+22.58
Motors and Distributors	+47.02	Insurance Brokers	+21.04
[illegible]	+42.19	Wines and Spirits	+20.98
Building Materials	+40.29	Oils	+20.89
Capital Goods Group	+39.27	Financial Group	+20.31
[illegible]	+37.93	Food Manufacturing	+16.43
Household Goods	+37.69	Merchant Bank	+16.30
[illegible]	+37.58	Insurance (Life)	+12.68
Toys and Games	+37.10	Discount Houses	+12.46
Office Equipment	+37.02	Banks	+ 7.92
Packaging and Paper	+36.73	Investment Trusts	+ 7.30
Retailing	+35.87	Tobaccos	+ 7.08
Engineering (General)	+34.41	Mining Finance	+ 6.52
[illegible]	+33.52	Gold Mines FT	− 7.01
Industrial Group	+30.71		
500 Share Index	+28.76		

† Percentage changes based on Tuesday, June 28, 1977, indices.

BASE LENDING RATES

A.B.N. Bank	8½%	■ Hill Samuel	§ 8½%
Allied Irish Banks Ltd.	8½%	C. Hoare & Co.	† 8½%
American Express Bank	8½%	Julian S. Hodge	9½%
A P Bank Ltd.	8½%	Hongkong & Shanghai	8½%
Henry Ansbacher	9 %	Industrial Bk. of Scot.	8½%
Banco de Bilbao	8½%	Keyser Ullmann	8½%
Bank of Credit & Cmce.	8½%	Knowsley & Co. Ltd.	10 %
Bank of Cyprus	8½%	Lloyds Bank	8½%
Bank of N.S.W.	8½%	London & European	9½%
Banque du Rhone S.A.	9 %	London Mercantile	8½%
Barclays Bank	8½%	Midland Bank	8½%
Barnett Christie Ltd.	9½%	■ Samuel Montagu	8½%
Bremar Holdings Ltd.	9 %	■ Morgan Grenfell	8½%
Brit. Bank of Mid. East	8½%	National Westminster	8½%
Brown Shipley	8½%	Norwich General Trust	9%
Canada Permanent AFI	8½%	P. S. Refson & Co.	8½%
Capital C & C Fin. Ltd.	9 %	Rossminster Accept'ces	8½%
Cayzer Ltd.	9½%	Royal Bk. Canada Trust	8½%
Cedar Holdings	9 %	Schlesinger Limited	9 %
Charterhouse Japhet	8½%	E. S. Schwab	10½%
C. E. Coates	9½%	Security Trust Co. Ltd.	10 %
Consolidated Credits	8½%	Shenley Trust	11½%
Co-operative Bank *	8½%	Standard Chartered	8½%
Corinthian Securities	8½%	Trade Development Bk.	8½%
Credit Lyonnais	8½%	Twentieth Century Bk.	10 %
The Cyprus Popular Bk.	8½%	United Bank of Kuwait	8½%
Duncan Lawrie	8½%	Whiteaway Laidlaw	9 %
Eagil Trust	8½%	Williams & Glyn's	8½%
English Transcont.	9 %	Yorkshire Bank	8½%
First London Secs	8½%		
First Nat. Fin. Corpn.	9½%		
First Nat. Secs. Ltd.	9½%		
Antony Gibbs	8½%		
Greyhound Durrant Trust	8½%		
Greyhound Guaranty	8½%		
Grindlays Bank ‡	8½%		
Guinness Mahon	8½%		
Hambros Bank	8½%		

■ Members of the Accepting Houses Committee.

* 7-day deposits 4%, 1-month deposits 4¼%.

† 7-day deposits on sums of £10,000 and under 4%, up to £25,000 3¾% and over £25,000 3¾%.

‡ Call deposits over £1,000 4%.

§ Demand deposits 3¼%.

¶ Rate also applies to Sterling Ind. Secs.

Scottish Widows' Group

PO Box 902, Edinbrgh., EH16 5BU. 031-655 6000

Inv.Ply.Series 1	89.9	89.9	.....	—
Inv. Ply. Series 2	86.2	89.7	.....	—
Ex.Ut.Tr.June 15	119.1	124.2	.....	—
Mgd.Pens. June 22	212.3	218.0	.....	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax.

CLIVE INVESTMENTS LIMITED

1 Royal Exchange Ave., London EC3V 3LU. Tel: 01-283 1101.

Index Guide as at 21st June, 1977 (Base 100 at 14.1.77)

Clive Fixed Interest Capital	113.85
Clive Fixed Interest Income	104.60

CORAL INDEX: Close 453-458

INSURANCE BASE RATES

† Property Growth	9¾%
Cannon Assurance	5¼%

† Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

1977 High	Low	Stock	£	+ or −	Yield Int.	Red.
"Shorts" (Lives up to Five Years)						
101½	96⅞	Treasury 11½pc '77	100	......	11.41	7.61
98½	93	Treasury 3pc '77	98½	......	3.05	[illegible]
98¾	94	Transport 4pc '77	98¾	......	4.05	[illegible]
100⅞	95⅞	Treasury 9pc 1978	100	......	8.98	8.65
102⅝	97⅞	Treasury 10¼pc '78	101¼xd	......	10.33	[illegible]
98	90	Exch. 5pc '76-78	97	......	5.13	[illegible]
104	95	Treasury 11½pc 1979	102	[illegible]	11.23	9.86
94	84	Treasury 3pc '79	92	[illegible]	3.23	[illegible]
96	85	Electric 4½pc '74-79	94	[illegible]	4.52	[illegible]
102	92	Treasury 10½pc '79	101	[illegible]	10.37	[illegible]
95	84	Electric 3½pc '76-79	92	[illegible]	3.77	[illegible]
100	87	Treasury 9pc 1980	99	[illegible]	9.12	[illegible]
100	88	Treasury 9½pc '80	99	[illegible]	[illegible]	9.81
92	82	Treasury 3½pc '77-80	92	[illegible]	3.78	6.31
94	83	Funding 5¼pc '78-80	93	[illegible]	[illegible]	[illegible]
109	95	Exchequer 13pc 1980	106	[illegible]	12.17	10.5
105	92	Treasury 11½pc 1981	103½xd	[illegible]	[illegible]	[illegible]
89	77	Treasury 3pc '79-81	88½	[illegible]	3.53	[illegible]
101	86	Treasury 9¾pc 1981	98½	−⅛	9.39	[illegible]
95¾	93	Treas. Variable '81	95	......	—	—
110	96¼	Exch. 12½pc 1981	107	......	11.90	10.65
98	82	Treasury 8½pc '80-82	95xd	[illegible]	8.87	9.65
87	71	Treasury 3pc '82	[illegible]	......	3.53	6.55
115	101	Treasury 14pc '82	[illegible]	......	12.49	10.54

Five to Fifteen Years
Over Fifteen Years
Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS (Miscel.)

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 41½% (based on $US1.7210 per £)

Conversion factor 0.7023 (0.7109)

CANADIANS

S.E. List Premium 41½% (based on $1.8275 per £)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Continued

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Continued

ELECTRICAL AND RADIO

ENGINEERING, MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS—Continued

Finance, Land, etc.

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

1977 High	1977 Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
64	36	Coronation 25c	42	......	Q5c	8.4	8.0
130	70	Falcon Rh.50c	110	......	†Q35c	1.7	31.1
14	9	Rhod'n Corp. 16⅔p.	12	......	0.56	4.3	7.2
165	110	Roan Cons. K4	110	......	—	—	—
164	129	Tanganyika 50p	135xd	......	Q11.0	ϕ	8.2
70	70	Do. Pref. 80p	70	......	Q9%	ϕ	10.3
35	27	Wankie Col. Rh1	32	......	Q7½c	1.5	22.9
27½	15½	Zam.Cpr.SBD0.24	17	......	—	—	—

AUSTRALIAN

1977 High	1977 Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
20	10	Acmex 25c	13	+1	—	—	—
127	58	Bougainville $1 Toea	85	......	Q10c	3.5	7.4
128	90	BH South 50c	114	......	—	—	—
325	119	Conzinc Riotinto 50c	295	......	Q9c	2.3	1.9
50	18	G.M. Kalgoorlie $1	30	......	—	—	—
112	78	Hamptn Areas 5p	87	......	1.3	5.0	2.3
35	15	Metals Ex. 50c	18	......	—	—	—
242	188	M.I.M. Hldgs. 50c	195	......	†Q4½c	1.8	1.4
105	20	Mount Lyell 25c	26	......	—	—	—
2¼	1½	Newmetal 10c	1½	......	—	—	—
120	86	North B. Hill 50c	100	......	†Q4½c	b2.6	5.6
8	4½	Nth. Kalgurli	6½	......	—	—	—
119	87	Oakbridge SA1	112	+2	†Q9c	1.5	5.0
50	20	Pacific Copper	28	−2	—	—	—
£13	725	Pancont'l 25c	£11	+½	—	—	—
16½	8	Paringa M&Ex.5p	11½	......	—	—	—
555	355	Peko-Wallsend 50c.	520	−5	Q15c	2.7	1.8
—	—	Poseidon 20c	75#	......	—	—	—
9	6	Vulcan Min. 50c	9	......	—	—	—
164	110	Westn. Mining 50c	142	......	†Q5c	1.3	2.2
75	50	Whim Creek 20c	50	−3	—	—	—

TINS

1977 High	1977 Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
39	18	Amal. Nigeria	20	+1	0.93	0.9	7.2
395	310	Ayer Hitam $M1	350	+10	†23.0	1.4	10.1
56	25	Beralt Tin	40	−1	24.0	2.3	15.4
485	385	Berjuntai $M25	485#	......	Q60c	ϕ	—
360	260	Geevor	295	......	t17.87	—	9.3
13	8	Gold & Base 12½p	10	......	—	—	—
255	190	Gopeng Cons.	195	......	13.0	1.9	10.3
97	72	Hongkong	97	+2	—	—	—
67	60	Idris 10p	65	......	9.0	1.0	21.3
10	7	Jantar 12½p	8	......	—	—	—
49	30	Kamunting $M0.50	41	......	2015.5c	1.2	9.4
425	260	Killinghall	420	......	†Q50.0	ϕ	11.9
280	217	Malay Dredging $M1	280	+3	†Q95.5c	1.1	8.5
—	—	♦Pahang	27#	......	†Q2.5	0.5	9.2
55	50	Pengkalen 10p	55	......	5.5	1.3	15.4
155	133	Petaling $M1	148	−2	mQ12½c	10.9	2.1
56	35	Saint Piran	54	......	1.81	ϕ	5.3
105	77	South Kinta (10p)	88	......	†Q19.46	0.6	22.1
205	148	Sthn. Malayan	183	+5	†Q32.82	1.1	17.9
66	57	Sungei Besi $M1	63	......	—	—	—
40	19	Supreme Corp. $M1	40	......	2Q10	—	6.2
55	42	Tanjong 15p	45	......	6.25	0.7	21.4
67	45	Tongkah Hrbr. $M1	60	......	mQ16.9%	0.3	7.0
135	93	Tronoh $M1	135	+2	†4.29	2.0	4.9

COPPER

1977 High	1977 Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
198	136	Messina R0.50	140	......	Q45c	2.8	21.5

MISCELLANEOUS

1977 High	1977 Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
9½	9	Burma Mines 17½p.	9	......	—	—	—
31	18	Charterhall 5p	23½	−1	—	—	—
107	58	Colby Mines $C1	92	......	—	—	—
600	385	Cons. Murch. 10c	385xd	......	‡Q140c	1.4	‡
440	330	Northgate C$1	410	+10	—	—	—
247	173	R.T.Z.	207	−2	8.0	q3.1	5.9
70	42	Sabina Inds. C$1	43	−1	—	—	—
£14¾	£11⅛	Tara Exptn. $1	£14⅜	+⅜	—	—	—
53	39	Tehidy Minerals 10p	45	......	1.19	ϕ	4.1
160	123	Yukon Cons. C$1	130	−2	Q6½c	3.6	1.9

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution: bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents.
- ϕ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‖ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- Excluding a final dividend declaration.
- Regional price.
- No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1976. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	19	......	Sayers 12½p	32	......
Ash Spinning	38	......	Sheffield Brick	90	......
Bertam	17	......	Sheff. Refrshmt.	165	......
Bdg'wtr. Est. 50p	220	......	Shiloh Spinn	20	......
Clover Croft	21	......	Sindall (Wm.)	65	......
Craig & Rose £1	360	......	IRISH		
Dyson (R.A.)	22	......			
Ellis & McHdy.	63	......	Conv. 9% '80/82	£93⅞	......
Evans Fr'k.10p.	29	......	Alliance Gas	53	......
Evered	11	......	Arnott	300xd	......
Fife Forge	48	......	Carroll (P.J.)	88xd	+1
Finlay Pkg. 5p	12	......	Clondalkin	56	......
Graig Shlp. £1	350	......	Concrete Prods.	78	+3
Hallam Sleigh 10p	9½	......	Heiton (Hldgs.)	31	......
Higsons Brew.	92	......	Ind. News	77	+2
I.O.M. Stm. £1	160	......	Ins. Corp.	120	......
Holt (Jos.) 25p	222	......	Irish Distillers.	68xd	+1½
Kleen-e-Ze	50xd	......	Irish Ropes	140	+8
N'thn. Goldsmith	29xd	......	Jacob	44	......
Pearce (C. H.)	103	......	Sunbeam	15	......
Peel Mills	13	......	T.M.G.	83	−2
Robb Caledon 5p	98	......	Unidare	53	......

OPTIONS
3-month Call rates

Industrials					
A. Brew	6½	Hawker Sidd.	60	Tube Invest.	30
A.P. Cement	18	House of Fraser	12	Unilever	40
B.S.R.	12	I.C.I.	23	Utd. Drapery	7½
Babcock	10	"Imps"	7	Vickers	15
Barclays Bank	25	I.C.L.	20	Woolworths	6
Berry Wiggins	5	Inveresk	7	**Property**	
Beecham	38	Ladbroke	11	Brit. Land	5
Boots Drug	15	Legal & Gen.	12	Cap. Counties	3½
Bowaters	16	Lex Service	6	E.P.	5
B.A.T.	21	Lloyds Bank	22	Intreuropean	5
British Oxygen	6	"Lofs"	5	Land Secs.	18
Brown (J.)	20	London Brick	5	MEPC	10
Burton 'A'	6	Lonrho	8	Peachey	6
Cadburys	5	Lucas Inds.	25	Samuel Props.	10
Courtaulds	10	Lyons (J.)	9	Town & City	2
Debenhams	8	"Mams"	7	**Oils**	
Distillers	13	Mrks. & Spncr	10	Brit. Petroleum	60
Dunlop	8½	Midland Bank	25	Burmah Oil	8
Eagle Star	11	Nat. West. Bank	22	Shell	28
E.M.I.	18	Do. Warrants	8	Ultramar	15
Gen. Accident	17	P & O Dfd.	13	**Mines**	
Gen. Electric	16	Plessey	7	Charter Cons.	12
Glaxo	40	R.H.M.	5	Charterhall Fin.	3½
Grand Met	7	Rank Org. 'A'	18	Cons. Gold	12
G.U.S. 'A'	18	Reed Intl.	18	Rio T. Zinc	16
Guardian	18	Reyrolle	20		
G.K.N.	25	Spillers	4		
		Tesco	4		
		Thorn 'A'	22		
		Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Thursday June 30 1977

New work courses for young announced by Booth

By Alan Pike, Labour Staff

THE GOVERNMENT yesterday gave approval to a new coordinated Youth Opportunities Programme based on the thinking of the Manpower Services Commission's Holland Report, which will double the provision of existing schemes.

Mr. Albert Booth, Employment Secretary, told the Commons: "It is our firm intention that no summer or Easter school leaver who remains unemployed the following Easter should remain without the offer of a place under the programme."

At the same time, the job creation programme, which provides assistance for adult unemployed, is to be developed into a redesignated Special Temporary Employment Programme, which will provide 25,000 places with priority given to areas of exceptionally high unemployment.

Another 8,000 adults from the unemployment register will instruct and supervise young people on the new work experience courses.

Announcement of the new measures coincided with publication of figures which project a rather faster growth in the labour force between now and 1981 than had been envisaged, reducing further the prospects for an early drop in unemployment. (Full story, Page 15).

Assistance

The new youth programme will assist up to 230,000 young people a year at a gross cost of £160m.

When account is taken of factors such as savings in unemployment benefits, net costs are reduced to about 60 per cent. of gross costs, and it is possible that the new programme will attract increased assistance from the European Social Fund.

All young people taking part in the new programme will receive allowances of £18 a week, which includes a £2 travel element.

The new measures are being introduced at a time when the share of unemployment being suffered by young people is getting relatively greater.

But about one-third of young people who register as unemployed leave the register within a month and the minimum qualifying period for the new proposals therefore will be six weeks.

Ingredient

Mr. Booth said that the emphasis of the new measures would be "on those who are least qualified with the poorest employment prospects."

The programme will consist of work preparation courses with employers, at further education colleges and in Skillcentres and practical work experience.

Close involvement with the education service is an important ingredient. Funds are to be channelled through the Manpower Services Commission to meet the extra cost to the education service.

Mrs. Shirley Williams, Education Secretary, said yesterday that the Government would make resources available for a further 10,000 full-time places (or their equivalent) for 16-18-year-olds in further education colleges at a gross cost of £11m. in a full year, and authorise capital provision for the extra places at a cost of £27m. over the next five years.

The Government also announced yesterday that the job release scheme, due to close for applications this month, was to continue until March, but would be open only to those actually releasing a job.

Editorial comment Page 18
Parliament Page 16

Herring fishing ban 'for rest of year'

BY RICHARD MOONEY

THE GOVERNMENT confirmed yesterday that it plans to impose its own ban on herring fishing within Britain's 200-mile North Sea zone from to-morrow, in place of the EEC ban which expires to-day.

The EEC ban was introduced in March to protect fast-dwindling stocks and was extended month by month until talks on a further extension broke down in Luxembourg on Monday.

The U.K. move is in accordance with EEC Commission policy and will not discriminate between EEC members, so it seems unlikely that the Commission will object. But it will anger most of the other EEC fishing nations, who were incensed at Britain's stubborn insistence on a total ban at Monday's meeting.

Mr. Bruce Millan, the Scottish Secretary, announcing the move in the Commons, said that it was based on "unassailable" scientific evidence.

"We are now in touch with the Commission with a view to putting in hand the necessary steps to continue the ban on directed fishing for herring in the North Sea within our 200-mile limits for the rest of this year."

Mr. Teddy Taylor, the Shadow Scottish Secretary, supported the bid to save stocks from "ruthless decimation," and demanded an assurance that it would be backed up with the most intensive policing, "including boarding."

Mr. Millan said the Government would see that the necessary enforcement measures were available.

He wanted the new ban to begin on July 1 and last at least to the end of 1977. He was confident that other Community countries would make sure their fishing vessels respected the ban, which, he claimed, was legal.

There was no alternative to the ban, he said, if stocks were not to be put at the risk of extermination.

The decline in North Sea herring stocks dates back over 30 years. In the early 1950s British fishermen were catching over 100,000 tons a year in the North Sea—two-thirds of the total catch.

But overfishing, largely for production of fishmeal, has cut stocks savagely and last year the North Sea yielded only 25,000 tons of Britain's 91,000-ton herring catch.

Colin Narborough writes from Copenhagen: Rumours that Danish fishermen plan to fight the British ban were firmly dismissed by the Danish Government and Fishermen's Association.

As the Common Market's biggest fishing nation Denmark expects considerable unemployment as the immediate result of Britain's decision.

Mr. Henning Hecht, of the Danish Fishermen's Association, said that the move was the worst possible so far as Danes were concerned. He hoped that the ban would be superseded soon by general EEC agreement on North Sea fishing.

The bulk of Denmark's herring has traditionally been caught off the British coast in the periods January-February and August-September.

The fish processing industry that makes meal and fertilisers, mainly located on the North Sea coast in Jutland, is due to shut down on Monday for its annual three-week holiday.

With a virtual end to its herring supplies for this year the employment outlook is grim.

Parliament, Page 16

Labour peers propose reform

BY PHILIP RAWSTORNE

LABOUR PEERS last night countered demands within the Labour Party for the abolition of the House of Lords with radical *proposals for the reform of the* Second Chamber.

The reform plan, devised by a working party of 12 Labour peers under Lord Champion, has been sent to the party's national executive committee for consideration.

The peers hope the scheme will be debated at the party's annual conference as an alternative to the report of an NEC sub-committee advocating abolition.

Under the reform plan, the Lords would reflect the balance of party power in the House of Commons. Voting would be restricted to a body of 250 peers.

Membership of this group would be allocated according to seats held by the parties in the Commons. Each of the Parliamentary parties in the Lords would determine the composition of its own section.

Non-voting peers, though barred from any divisions on legislation would be able to ask questions, take part in debates, and serve on committees.

Voting peers would be paid a salary and non-voting peers would be entitled to expenses on the present basis.

Nomination

Lord Champion's report recommends that hereditary peers should cease to have a right to a seat in the Lords, but should be eligible for nomination as life peers.

Life peers, peers of the first *creation*, and law lords would continue as members of the Second Chamber, but the number of bishops would be reduced to 10.

The Labour peers suggest that the representation of other religious bodies should be ensured in the future creation of life peers.

In an attempt to meet criticism of patronage, the powers of the Prime Minister to nominate peers would be modified.

The working party recommends a Commons select committee under the chairmanship of the Prime Minister should draw up the preliminary list from which the Prime Minister would make a final selection for recommendation to the Queen.

Under the reforms, the power of the Lords to delay Government Bills would be reduced to six months from the date of disagreement between the two Houses. After that period had *expired, legislation would be* presented for royal assent by simple resolution of the Commons.

The Commons would be able to over-rule any decision of the Lords on private Bills and secondary legislation.

Duration

There would be no change, however, in the Lords' powers to veto any Government Bill to extend the duration of a Parliament beyond five years. "The existence of this power, in the absence of a written constitution, is an additional and compelling reason for the retention of a bi-cameral Parliament," the report says.

Pressing the case for retaining a Second Chamber, Lord Champion says it is justifiable and relevant if it reinforces democracy by relieving the elected chamber of some of its burden of work, by providing a forum *for full and informed debate*, by participating in the scrutiny of the executive and by providing safeguards against constitutional abuses.

Lord Champion *says*: "We recommend these proposals as being evolutionary rather than revolutionary, and as such in keeping with the mood and temper of the British people."

Pay differentials case 'may be overstated'

BY CHRISTIAN TYLER, LABOUR CORRESPONDENT

THE GOVERNMENT has produced timely ammunition for its case for another tight incomes policy, by issuing figures suggesting that the argument about restoring pay differentials is being overstated by unions and employers alike.

The broad conclusion of a Department of Employment study published last night is that the compression of differentials has much more to do with inflation than with incomes policy as such.

It suggests that even in engineering—where workers and managers in British Leyland and many other companies have complained bitterly about the squeezing effects of the incomes policy—the compression occurs just as much during free collective bargaining.

This is leading some officials to argue that there is nothing to justify a wide margin of "flexibility" for differentials in any future pay policy, except perhaps for the highest-paid, whose decline has been relatively greater over recent years.

It has also led to the conclusion that talk about differentials is couched in terms of expectations that are not necessarily based on a study of cash or percentage comparisons.

These instinctive expectations, however, cannot be ignored because they could contribute to the kind of pay explosion after Stage Two expires that both TUC and Government are desperately anxious to avoid.

Publication of the figures in the Department of Employment Gazette coincided with a deputation to the Chancellor from the British Institute of Management to press for "flexibility to halt the squeeze on differentials" within another round of pay policy.

The Institute has among its 54,000 membership many of the highest paid (£10,000 a year) who have suffered most, but also lower-paid middle managers.

Mr. Healey was also asked to give clear guidance to employers and unions about how they should handle pay negotiations due in the period between the end of July and ratification by the TUC Congress early in September of any new pay guidelines.

It went on to set out its ideas, very similar to the CBI's, for a national forum, including the Institute, that would discuss pay determination in the longer term.

The department's study shows that earnings differentials in engineering—its main example—shrank considerably during the two World Wars. In the early 1950s, the gap between skilled and unskilled widened, to reach a peak in 1968, since when it has declined, both under free collective bargaining and under incomes policy.

But between April, 1970, and April last year, the biggest detectable shift in differentials was between men and women—due to the Equal Pay Act and to better job opportunities for women.

In spite of the gradual compression of differentials in industry generally since 1970, the distribution of earnings, at least for men, has remained extremely constant.

Only the top 1 per cent. of earners have slipped down towards the median.

The discrepancy between narrowing differentials and constant dispersion is explained by changes in the structure of the workforce—more people moving into skilled jobs, while the rewards for those jobs have declined relatively.

Hattersley favours a refund of excess profit from gas

BY RICHARD EVANS, LOBBY EDITOR

MR. ROY HATTERSLEY, Secretary for Prices and Consumer Affairs, stepped into the row over gas corporation profits last night by disclosing that he would be in favour of returning to consumers any profits found to be excessive.

Ministers have previously been careful not to become involved in the bitter dispute still raging between British Gas, which insists that there were no excess profits, and the Price Commission, which claims that the corporation has exceeded its profits level by £36.6m.

Mr. Hattersley told Labour MPs at a private meeting of the party's economic and finance group that in his opinion the nationalised industries had to comply with the price code in exactly the same way as private industry.

Although he was not prepared to state categorically that British *Gas had made excess profits* as the matter was still under investigation, he left MPs with the impression that he believed the Price Commission had the stronger argument.

"If, as seems likely, the Price Commission is correct in its assumption that the gas corporation made excess profits of £36m., I have no doubt that every penny of it should be repaid to the consumer," he is reported as saying.

From the tone of the discussion that followed, the overwhelming majority of Labour MPs are also strongly in favour of a repayment of any excess profits.

The Commission has charged that the corporation made profits in excess of the reference level under the price code of 2 per cent. on turnover, but the State Board insists that its profits were well within the reference level. The apparent excess was due, it claims, to "distorting factors."

Mr. Anthony Wedgwood Benn, Energy Secretary, went out of his way in the Commons on Tuesday not to become embroiled in the argument. He pointed out that it was essentially a matter for the Price Commission and for Mr. Hattersley.

Creditors' hopes dashed

HOPES that a Government-sponsored fund will pay the £1.16m. debts of the crashed travel concern R. J. Manners were dashed at a creditors' meeting in London yesterday.

Mr. James Christmas, the *Official* Receiver, had been asked if creditors could be reimbursed from the Air Travel Reserve Levy. But he pointed out that this was impossible because he was not dealing with the failure of an airline. The company had operated the Overseas Relatives' Reunion Club and as such did not seem to be covered by the provisions of the levy.

Many creditors expressed anger at the way they had been treated. "It is disgusting," said Mr. John W. Dyer, an ambulance driver from Catford. He is a creditor for £900 and had been saving to go to Australia with his family.

Under a *guaranteed fare* scheme, club members paid fares to Australia up to four years in advance.

Mr. Christmas said a statement of affairs had not been filed. Draft figures estimated assets at £99,730. Preferential debts were estimated at £7,256 and there was £1,246,691 due to unsecured creditors. The total deficiency was £1,159,419.

Beaverbrook trustees meet to-day

By Max Wilkinson

THE BOARD of Beaverbrook Newspapers adjourned discussion yesterday of the take-over offer by Trafalgar House. Talks will resume to-day, when the trustees of Beaverbrook family trusts are also due to meet.

Trafalgar House's £12.5m. bid has been seen as an attractive proposition by some directors, particularly as it could involve an injection of up to £20m. of cash into Beaverbrook to pay off debts and make necessary investments.

The decision to adjourn the Board meeting until to-day is not surprising, because the trustees, who control the voting shares, will have the final say.

Their decision will depend heavily on the views of Sir Max Aitken, the chairman, and his family.

The Board has also been considering proposals from Associated Newspapers, News International, and Sir James Goldsmith's Cavenham, which have all been anxious to gain full or partial control of Beaverbrook.

Continued from Page 1

Grunwick ban

tee and an official of the National Union of Bank Employees, was planning to persuade bank workers at the Midland branch in Willesden to black the Grunwick account. A spokesman for NUBE said last night that action was unlikely unless endorsed by the union executive, which does not meet again till next month.

The deadlock reached with Mr. Ward, which apparently exacerbated the angry reactions *of pickets*, is believed to have obliged Mr. Booth and Mr. Grantham to give further consideration to the possibility of setting up a judicial court of inquiry under *the 1919 Industrial Courts* Act.

The recommendations of such a court would not be legally enforceable and would therefore, *on the face of it, appear to be* more acceptable to Mr. Ward, who has doggedly refused to submit to any kind of inquiry whose recommendations would be binding.

THE LEX COLUMN

CCA: picking up the pieces

Index fell 2.4 to 456.2

Yesterday's statement by the Accounting Standards Committee has more or less killed off the ED18 version of current cost accounting in any recognisable form. Having already been forced to withdraw and rewrite the standard on deferred tax, the ASC has been in no position to defy the profession at large over ED18. What follows now will probably be the separate exposure of various inflation accounting elements—like asset valuations and monetary items—over an unknown but inevitably lengthy time period.

In these changed circumstances, interim measures are required. There is no comparable authority in the U.K. to the U.S. Securities and Exchange Commission which has (rather clumsily) ordered U.S. companies to produce replacement cost information. Our own Stock Exchange has only received a partial response to its request to listed companies for limited current cost figures—most small companies have ignored it, although a third or more of the large groups have complied—and it would be unrealistic to expect the Stock Exchange to fight the accountants' battles for them. There is no sign of an initiative by the Government either.

The opportunity remains for the ASC, however, without prejudice to the ultimate standard, to call for the inclusion of current cost adjustments in the published accounts of listed and large unlisted companies. Almost all the important submissions to the Morpeth Group have accepted the need for at least the depreciation and cost of sales adjustments. It appears to be the compulsory nature of the proposals, their complications and their application to the multitude of small companies which have brought the

J. Lyons is maintaining its dividend for 1976-77 even though this contributes to a sizeable dent in its net assets at the year end. This decision, which has been taken in the light of an "encouraging" start to the current year, pushed the shares 6p higher to 95p yesterday, making a rise of about a quarter since the start of the month. But although the group is signalling that the worst is over, it still has to face a very long haul back to financial equilibrium.

Thus shareholders' funds have fallen by £8.8m. over the year to just under £130m., including around £60m. of goodwill. Despite a series of disposals, total debt has risen a little to nearly £240m., which may only be about a tenth less than the group's borrowing limit.

However overseas assets are now well in excess of foreign currency borrowings, so one of Lyons' most vulnerable features has disappeared. The fact that Tetley Inc. in the U.S. is no longer for sale —although there have apparently been a number of suitors — may help to support the idea that the balance sheet is under control.

Meanwhile profits are up from £10m. to £14.2m. before tax and a string of exceptional and extraordinary write-offs, and the welcome feature is that the U.K. business is looking noticeably healthier. This is crucial for a group which is saddled with high overseas tax payments and has substantial unused tax allowances in the U.K. With overall sales of £768m., it would only take a small improvement in margins to transform the profit figures but the continuing uncertainties require a fat dividend yield — currently 13 per cent.

Currencies

Yesterday, the Japanese yen

seem likely, and it looks as if the next few months could be a more turbulent period for international currencies.

It had been thought that the Japanese authorities would prevent the yen moving below 270 to the dollar but they failed to intervene significantly and, having closed at 268.90 in Tokyo the yen/dollar rate fell

to 267.20 in Europe ... tinued when the U.S. ... opened. Absence of official support for the dollar ... markets and on a trade ... basis it had its worst ... late April, weakening ... ably against almost ... currencies.

Last week's annual Ministerial meeting ... appeared to endorse ... flexibility in exchange ... the foreign exchange ... are clearly now working ... assumption. Although ... authorities appear ... least publicly, that the ... with a trade deficit of ... and a current account ... $10-12bn. in the ... the foreign exchange ... are less convinced, ... since the U.S. current ... deficit in the first ... running at a $17bn. ...

At the same time ... forecasts of a Japanese ... growth rate of 6.7 ... year look too optimistic ...

UDS Group

... reflected in a fall ... tenth in the number ... time employees ... This year, too, a ... sumer durable ... to change the ... deferred profits ... a credit in the ... account ... decline, UDS ... heading for ...

Weather

U.K. TO-DAY

OCCASIONAL rain or drizzle, generally brightening.

London, E. Anglia, Midlands, E., Cent. N. England
Occasional rain, sunny periods developing. Wind W., moderate. Max. 21C (70F).

S.E., S.W., Cent. S. England, Channel Isles, S. Wales
Becoming dry, with sunny intervals inland. Wind W., moderate. Max. 18C (64F).

N.W., N.E. England, N. Wales
Rain, with mist on hills and coasts, becoming brighter. Wind W. moderate. Max. 16C (61F).

Borders, Edinburgh, Dundee, Aberdeen, N.E. Scotland, Glasgow, Cent. Highlands, Moray Firth, Argyll, Orkney, Shetland, Ireland
Showers, sunny intervals. Wind W. moderate or fresh. Max. 16C (61F).

Outlook: Remaining unsettled. Warm at times in S.

BUSINESS CENTRES

HOLIDAY RESORTS

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